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FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 3186

AN ACT MAKING APPROPRIATIONS FOR FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1988, AND FOR OTHER PURPOSES

PART 2 (Pages 1–722)

TITLE II—BILATERAL ECONOMIC ASSISTANCE
AFRICAN DEVELOPMENT FOUNDATION
AGENCY FOR INTERNATIONAL DEVELOPMENT
DEPARTMENT OF STATE
INTER-AMERICAN FOUNDATION
PEACE CORPS

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FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, MARCH 17, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m. in room S–146, the Capitol, Hon. Daniel K. Inouye, (chairman) presiding.

Present: Senators Inouye, Leahy, DeConcini, Mikulski and Kasten.

AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF M. PETER McPHERSON, ACTING DIRECTOR, INTERNATIONAL DEVELOPMENT COOPERATION AGENCY AND ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

ACCOMPANIED BY THOMAS ROLLIS, ASSISTANT TO THE ADMINISTRATOR FOR MANAGEMENT

OPENING REMARKS OF SENATOR INOUYE

Senator INOUYE. The subcommittee will please come to order. This morning, we will continue our examination of the President's request for fiscal year 1988 funding of Foreign Assistance and Related Programs. This morning, we will hear testimony in support of funding requests for various centrally-administered programs of AID. Among the items and accounts to be discussed are: the Economic Support Fund; Fund for Africa; Science and Technology Bureau programs; environmental issues; Child Survival Fund; Centrally Funded Health Programs; Centrally Funded Population Planning Assistance; Deobligation/Reobligation Authority.

Once again, we are fortunate to have with us Peter McPherson, the Administrator of the Agency for International Development [AID]. Mr. McPherson is an able Administrator who has now served in this position for a longer period than any of his predecessors—I congratulate you on that—and I have lived with many of them. I can say without reservation that on issues of development he is the most knowledgeable person to have ever served in his position. His interest in development assistance is an abiding interest. It began some 25 years ago when he was a Peace Corps volunteer in Peru. He started out working in the fields, and now he is the boss.

Peter McPherson has been a tireless advocate of development assistance and a friend of the subcommittee. We have not differed with him often, but when we have, it has been on how best to serve U.S. interests through the process of economic and social development. We have not differed on the objectives of foreign economic assistance.

It is a pleasure to welcome you again to this subcommittee. I understand that your Senior Assistant Administrator, Dr. Bradey, who heads the Science and Technology Bureau, is on foreign travel and cannot join you here today. That is regrettable. Perhaps we will submit some questions for him to answer for the record, if we may.

Mr. McPherson. Yes.

PREPARED STATEMENT

Senator Inouye. As you know, your full statement has been received, and without objection, it will be made a part of the record.

[The prepared statement of M. Peter McPherson follows:]

PREPARED STATEMENT OF M. PETER MCPHERSON

ACTING DIRECTOR
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AND
ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

Introduction

Mr. Chairman, it is a pleasure to appear before you to present the Administration's FY 1988 proposed program for foreign economic assistance.

The overall fiscal constraints with which we are all confronted in the effort to gain better control of the Federal deficit challenges our ability to continue to achieve our foreign policy and economic assistance objectives. The challenge is to develop a program which will meet growing demands and new opportunities with very limited resources.

The budget request which we submit to you is based on two important considerations. It is designed to focus on the highest priority foreign policy and economic assistance objectives and it incorporates new authorizing initiatives for improving the effectiveness of our program including the Development Fund for Africa.

There are important reasons why foreign aid is critical to our national interest -- but these are often not well understood within our own country -- especially in the face of domestic budget cuts.

The health of our nation is inextricably bound up with the objectives of foreign policy and the foreign assistance program is vital to the achievement of these objectives. United States national security interests in the Middle East and Central

America depend upon the stability of those regions -- political stability that is based on economic stability. Without effective foreign assistance from the United States, economic growth prospects are grim for many Third World countries that are increasingly important to us -- economically as markets and trading partners, as well as politically. We depend on many countries that are unable to meet their security requirements and critical development needs from their own resources.

Domestic Benefits of Foreign Aid

Foreign aid has brought direct benefits to the United States economy with the development of new trading opportunities for American business. Indeed, without foreign assistance our economy would suffer. Over 40 percent of all United States exports are bought by developing countries. In 1981, Korea bought more food from the United States than we had given that country in 24 years of Food for Peace shipments. High rates of economic growth by developing countries during the last several decades have benefited United States farmers. These countries are our fastest growing markets. Their agricultural imports from the United States increased from $1.1 billion in 1970 to a peak of $15.4 billion in 1981. In 1983, developing countries accounted for 50 percent of total United States grain and feed exports.

With our assistance, many countries, particularly in East Asia, Southeast Asia and Latin America, previously classified as "less developed" are now "newly industrialized" and are in a position to help other countries. Finally, up to 70 percent of United States bilateral foreign assistance is spent on American commodities, equipment and services to support overseas development programs.

Foreign aid promotes the humanitarian ideals and democratic values of the American people. In the past 25 years American aid brought emergency relief to victims of 800 natural disasters. We can be proud of helping Africa turn the corner in fighting the effects of one of the worst droughts in history. Without our food aid an estimated 20 million people would have died in sub-Saharan Africa. Not only has America responded to emergencies, but we have contributed to sustained development: for example, the eradication of smallpox; the reduction of child mortality by one half; the majority of children in developing countries entering primary school; life expectancy increased by 10-20 years in the Third World; India's self-reliance in grains, and the beginnings of a Green Revolution in Africa. Democratic values have been enhanced by America's humanitarian assistance as well as through our direct support for democratic elections. Democratic processes have been gaining support throughout the Third World. In Latin America the percentage of people living under democratically elected governments has risen from 30 percent in 1979 to over 90 percent today.

Our foreign aid is playing an important role in the war on drugs by supporting anti-narcotics activities which the governments of those developing countries where narcotics are produced do not have the economic resources to launch.

Foreign Aid Achievements

I would like to cite some examples of the successful achievements of foreign aid particularly in the last six years.

Economic growth

Given the 100 percent increase in the price of oil in 1979, prolonged recession in industrial economies, historically high real interest rates and increased trade barriers in the developed world, it is not surprising that the economies of developing countries are best characterized by decline rather than growth during the 1981-1985 period. A major focus of A.I.D. has been to assist countries that were in serious trouble to achieve economic stabilization and to make the necessary economic policy adjustments to move back on the path to growth. Countries in which significant progress has been made in adopting policy and institutional changes necessary for growth include the Dominican Republic, Costa Rica, Ecuador, Zambia, Zaire, Somalia, Niger, Bangladesh and Israel.

In the 1970's Costa Rica borrowed heavily to finance its growing public sector. In 1981 the country was forced to suspend principal and interest payments on its foreign debt. A.I.D., in close coordination with the International Monetary Fund and the World Bank, began extensive macroeconomic policy dialogue with the Costa Rican government to identify necessary policy reforms. The government agreed to reduce its fiscal deficit, unify its exchange rate, and free its economy. A.I.D. supported the economy in the interim with $550 million in economic assistance from 1981 to 1985. As a result the fiscal deficit was cut from 14.1 percent of GDP to 1.5 percent and the government is divesting many parastatals. The GDP grew by 10.6 percent in 1983-1985; inflation dropped from 108 percent in 1982 to 11 percent in 1985, and exports of non-traditional products outside Central America rose by 31 percent in 1984 and 24 percent in 1985.

Program Success Stories

The impact of A.I.D.'s effort to increase the incomes of the poor is illustrated by projects in the low-income countries of Asia and the Near East, Latin America and the Caribbean and Africa. Honduras is an example. In the late 1970's coffee rust disease invaded Honduras, threatening the smaller coffee producers who lacked the technical expertise and resources to combat it. A.I.D. implemented the $20 million Small Farmer Coffee Improvement project to mitigate the adverse impact of coffee rust. To date over 4,000 small farmers have received credit to plant new improved coffee varieties and to purchase inputs that combat the disease. Average yields have increased over fivefold and net income per farm has increased by 90 percent as a result of the project.

In Zaire the recently completed North Shaba Rural Development project was instrumental in stimulating economic growth in a depressed region of the country. As a result the marketing of food grains increased by 220 percent from 30,000 metric tons in 1977 to 96,000 metric tons in 1986. Elements of this experience are now being applied in the Central Shaba area.

In Egypt the Small Farmer Production project provided 90,564 loans valued at $49 million to 51,000 farmers. The repayment rate is remarkable with only about 1 percent past due. Maize yields on the project lands doubled and are well above the all-Egypt average.

A.I.D-supported child survival activities have already registered some striking successes around the world. Several years ago, the average immunization coverage of children in developing countries was less than 5 percent; today, the average in A.I.D.-assisted countries is over 30 percent. Other interventions are also beginning to take hold. The World Health Organization estimates that 50 percent of families in developing countries (excluding China) had access to Oral Rehydration Salts (ORS) by the end of 1985, up from only 5 percent in 1982. The number of ORS packets produced worldwide rose from 90 million in 1983 to 320 million in 1986. A.I.D. alone provided 100 million packets in the last year.

In Honduras where the United States has supported health programs for forty years, the most recent health project emphasizes both child survival technologies and support services to sustain them. The results of these efforts by the Honduran government, A.I.D. and other donors are measurable: a 40 percent decrease in deaths from diarrheal disease over the past five years; over 90 percent of the population vaccinated against polio and 80 percent against measles, diptheria, tetanus and whooping cough; an increase of one month in the mean duration of breastfeeding in urban areas, reduction in malaria, increased use of family planning; and a drop in infant mortality from 88 per 1,000 live births to 71 since the mid-1970's.

What Remains to Be Done

We have achieved much, but we cannot be complacent for there are still problems and challenges. The good news is that our past successful investments have put us on the brink of changes from which the United States and the developing world stand to reap even greater benefits. We know that the policies of a large number of countries still inhibit the growth of economic markets and individual responsibility and decision-making. But through policy discussions with many countries backed up by programs, we have seen the beginning of commitment and change by many governments. The policy environments are changing to encourage free market systems and to allow the realization of individual initiatives. Fifteen African countries are now in the process of privatizing government-owned enterprises, ten have devalued their currencies, and sixteen have reduced government expenditures and budget deficits. In total, two-thirds of Africa's lowest income countries are undertaking major economic restructuring.

We know that infant mortality rates in two-thirds of A.I.D.-recipient countries are still over 75/1000. But, we also know that a significant number of deaths of infants and children can be averted through the use of two available technologies, oral rehydration therapy and immunization. A new vaccine against malaria, of which there are 200 million cases per year, has been developed and field trials are now beginning with A.I.D. support.

We have a combination of experience, knowledge and examples of what works upon which to base our future development efforts. The lessons of the past have put us in a good position to tackle the future.

One of the most important lessons we have learned over the past three decades is that most problems and solutions involve complex interactions and interrelationships. Rarely can we rely on a single factor or intervention to bring about the successful solution of a development problem. For example, food production requires attention to transport and other rural infrastructure, to training systems and to pricing and marketing, as well as technical inputs. Responsible environmental policies are closely linked to responsible policies of resource utilization in all sectors and thus to the policies and strategies supporting economic growth and employment. The survival of children depends not only on technologies for treatment and prevention, but also on mothers' education and health, available resources, and environmental conditions like water and sanitation.

If unlimited resources were available we could simultaneously provide all the separate inputs needed for the solution to these problems. However, no developing or developed country has the resources to address all these needs individually. Therefore, we need a more sophisticated development strategy that includes certain focused priority interventions, which are carefully integrated with complementary and supporting activities to bring about a result that is greater than the sum of the parts. For example, we need a program which includes focused activities addressing very specific problems, such as, research on cowpeas in Senegal or development of a malaria vaccine or telecommunications to extend information to remote areas such as the mountains of Nepal. However, to ensure the benefit of our investment in these inputs, our strategy must also address: the farming systems; the market systems and the prices which motivate farmers to grow the cowpeas; the environmental systems which will restrict the malaria vectors and the health systems which will deliver the vaccine; the education and training systems which will enable people to use information and function effectively within these systems. Using this approach A.I.D.'s assistance programs seek a balance between projects addressing priority needs in selected sectors and an overall development strategy encouraging integration, complementarity and sustainability among programs.

Our program strategies also seek a balance between economic growth and basic human needs objectives. We must have both. Economic growth is essential for sustained development of any kind. On the other hand, expanding education, progress in human rights, increasing social and economic opportunity for women, and greater access to family planning information and services are all part of the complex dynamic leading to more open and egalitarian societies, free markets and democratic institutions. We know these are also the essential ingredients for economic growth.

The limited availability of resources in FY 1987 has made development programming painful. The limits on overall resource levels combined with mandates to support specific activities within these levels have constrained the programming flexibility the Agency must have to carry out the integrated and synergistic development approach that I have just described. The flexibility necessary for this approach is the basis for our proposal for a Development Fund for Africa.

I believe that the payoff of this approach is not only that it is cost effective, but that it brings results which embody the essence of American traditions and values.

Effects of the FY 1987 CR

Faced with growing demands upon our limited foreign assistance resources, we have not only scrutinized our priorities very carefully so that we support the most important needs, but we are also proposing creative new ways of implementing our program. I would like to describe how the FY 1987 budget situation has affected the development approach I have outlined and how we have structured our FY 1988 Request to further Congressional and foreign policy goals most effectively.

In FY 1987 Congress provided $1.494 billion for functional account development assistance, a 4 percent decrease from the FY 1986 level and an 8 percent decrease from our request. Although only a 4 percent decrease from FY 1986, serious imbalances were created in the functional account mix. The Selected Development Activities (SDA) account was 16 percent lower than the FY 1986 level and 35 percent lower than our request. As a result of the sharp cut in the SDA account which is the primary support for our private sector initiatives, we cannot carry out many of our planned new small enterprise development initiatives. The Child Survival Fund was up 100 percent from FY 1986 and 200 percent from our request. Over half of DA Health Account resources were already planned for child survival activities. Child survival activities remain a high Agency priority, but the objectives of reducing infant and child mortality depend not only on provision of selected child survival interventions, but also on increased agricultural production aimed at reducing malnutrition and recurring starvation. Despite this, the downward trend in appropriations for agricultural assistance (down 15 percent from FY 1985 and 5 percent from FY 1986) has continued.

Further exacerbating the budget reduction and imbalances in functional accounts are DA earmarks of over $170 million for country levels and programs on the one hand, and funding floor provisions for Africa and Central America on the other. Due to these restrictions, DA for central programs and many countries in Asia, Near East, South America and the Caribbean must be cut back resulting in loss of momentum in our private sector initiatives in many of these regions and postponement of agricultural diversification programs. Because of funding levels, many of the new small farmer projects will have to be deferred. We also face: reductions in the export of United States products and a consequent loss of jobs resulting from economic slowdown in some regions; deferral of participant training for the targeted number of LDC individuals; reduction in support for research, PVOs, private enterprise and other centrally administered initiatives in support of worldwide development programs.

For FY 1987, Congress appropriated $3.550 billion in Economic Support Funds (ESF) (including $300 million transferred pursuant to the Military Construction bill) compared to our ESF request of $4.094 billion. Most of the tension within the ESF account is caused by the high level of earmarks in the Continuing Resolution (CR) and previously enacted authorizing legislation. Specific country earmarks and commitments absorb a total of $2.979 billion or 84 percent of the appropriation compared to $2.709 billion or 72 percent of the appropriation in FY 1986. As a result of the heavy earmarking and because of Administration and Congressional concern for an acceptable funding level for economic assistance in Central America, many of the unearmarked countries in Africa and Latin America and the Caribbean have been severely reduced from their request levels. This has resulted in: reduced balance of payments support to countries struggling with heavy debt burdens, impairing their ability to regain a sound economic footing and risking a rise in economic and political instability; limitations on our ability to encourage the movement of politically important countries away from reliance on the Soviet Bloc; a two-thirds cutback in the successful new program of United States support for African economic policy reform; and weakening of our support for the Caribbean Basin Initiative.

FY 1987 Supplemental Request

The Administration is requesting a total of $404,984,000 in supplemental appropriations for A.I.D. for FY 1987. The supplemental request consists of: $397,000,000 for the Economic Support Fund and $7,984,000 in Operating Expenses. The $397 million ESF request includes additional funding for the support of continued development of democratic institutions in Central America ($200 million) and $100 million to assist EL Salvador in addressing its long-term earthquake reconstruction needs; narcotics-related economic assistance programs, expected to go to Bolivia ($10 million); the Southern Africa initiative, including South Africa ($50 million); and military access and base rights arrangements ($37 million).

A supplemental request of $7.984 million in OE will be used to cover the FY 1987 costs of the new Federal Employees' Retirement System and half the costs of the FY 1987 Federal employees' pay raise. The funds are to be divided between the regular operating expense account and the operating expenses of the Inspector General.

FY 1988 Budget Request

The Administration is requesting an appropriation of $5,809,259,000 for FY 1988 bilateral economic assistance programs. This request includes funding for Development Assistance and the Economic Support Fund. We are proposing an FY 1988 budget which is essentially the same as the FY 1986 and FY 1987 appropriated levels to meet our country's most critical foreign policy and development objectives, assuming adequate flexibility in programming options. These objectives cannot be met if we sustain significant cuts or further restrictions on flexibility.

A.I.D. is proposing a new program in sub-Saharan Africa which would increase our effectiveness in addressing the complex and interrelated problems besetting the continent. The request for this program will be described in detail below. Because of this new proposed mechanism, the requests for functional account levels will not include funds for bilateral or regional activities in Africa which are included under the new Development Fund for Africa.

Program Requests

-The request for Agriculture, Rural Development and Nutrition in FY 1988 is $471.0 million not including funds requested under the Development Fund for Africa. The FY 1988 budget will support a program focused on increasing incomes of the rural poor, expanding the availability and consumption of food -- while maintaining and enhancing the natural resource base. The interrelationship between sustainable agricultural productivity and natural resource management is particularly critical and I will discuss this later.

-For FY 1988, a P.L. 480 Title I program level of $852.0 million is proposed. We project that this amount will finance food shipments of about 5.9 million metric tons (grain equivalent basis). A Title II program level of $535 million is proposed. This should finance delivery of the legislatively mandated minimum tonnage of 1.9 million metric tons (grain equivalent basis) of food.

-A.I.D. is requesting $207.5 million for population assistance in FY 1988, not including projects funded from the Development Fund for Africa. This request is a essentially at the level of our FY 1987 appropriation, and is consistent with continued commitment for voluntary family planning services in the developing world. A significant proportion of this request will be programmed to support the work of non-governmental organizations.

-A total of $120.1 million is being requested for the Health account, not including projects funded from the Development Fund for Africa. As in previous years, a major portion of the Health DA funds will be devoted to child survival activities.

-The Child Survival Fund request is $61 million, excluding funding for child survival activities from the Africa Development Fund, which is the same as the FY 1987 appropriated level. Funding for immunization and ORT from the Health Account, Child Survival Fund and other sources is expected to exceed the total requested for the Child Survival Fund ($61 million) in FY 1988.

-A.I.D. is requesting $123.6 million for education and human resources development, exclusive of EHR activities under the Development Fund for Africa. Training for administrators, managers, scientists and technicians is about 60 percent of the EHR program. About 25 percent will support elementary, secondary and adult education and about 10 percent vocational/technical training. About 60 percent of this request will support EHR activities and training in LAC.

-A.I.D. is requesting $162.7 million for the Private Sector, Energy, and Private and Voluntary Organizations Account, excluding funds requested under the Development Fund for Africa, compared to an FY 1987 request level of $211.1 million and an enacted level of $133.2 million (excluding Africa activities). I will discuss this account in more detail later.

-A.I.D. is requesting an appropriation of $3.6 billion for ESF for FY 1988, including $12.5 million in deobligation/reobligation estimates. This request is unchanged from the FY 1987 appropriated level of $3.6 billion which includes

$50 million in deobligation/reobligation estimates. Consistent with its objective of promoting peaceful solutions to problems affecting United States interests, material security and the achievement of foreign policy objectives, the key elements of the FY 1988 ESF request include: continued efforts to achieve peace and stability in the Middle East through economic aid to Israel and Egypt; support for development activities in Jordan, West Bank and Gaza and regional cooperation activities among Israel, Jordan and other neighboring Arab countries; provision of critical balance of payments support to Turkey; economic assistance to base rights and military access countries such as Philippines, Turkey and Portugal; support for economic and political reform in the Philippines, Jamaica and Haiti; assistance to Central American democracies to achieve economic stability and growth and strengthening their democratic institutions and respect for human rights; and, in Africa, facilitating economic recovery and growth in a selected group of strategically important countries by providing balance of payments support.

-For FY 1988 A.I.D. is requesting $426,810,000 in new budget authority for its Operating Expense Appropriation. This represents an increase of $37.8 million over the FY 1987 funding availability, $16.6 million of which is required to cover mandatory costs associated with the new Federal Employees' Retirement System and the January 1987 Federal pay raise. Due to funding shortages in the OE appropriation in FY 1986 and FY 1987, Congress authorized the Agency to charge many overseas expenses to program accounts. The FY 1988 OE request will enable the Agency to resume funding of all operating expense costs from this account.

-A.I.D. is requesting $500 million for the proposed Development Fund for Africa.

Development Fund for Africa

I would like to describe this new initiative in some detail now. In my previous appearances before this Committee, I pointed out that Africa has made progress in increasing life expectancies, decreasing infant and child mortality, and limiting the worst nutritional effects of severe weather. Our drought relief activities in Africa, which continue at a much reduced level from last year and the year before, saved literally millions of people from starvation. I also discussed the continuing special problems that Africa faces -- recurrent drought, declining export revenues, limited and fragile natural resources, inadequate productive infrastructure, weak economic policies, and a largely unformed human resource base.

America has a growing self-interest in Africa. From a humanitarian standpoint we are bothered by the knowledge that people still starve and human lives are lost every day because of low incomes; preventable diseases and lack of knowledge about how to overcome these problems. From a strategic point of view, we recognize that long-term political stability in Africa and elsewhere will remain elusive as long as hunger and disease are rampant and hopes for a better future are dashed time and again by a combination of bad policies and natural disasters.

A cornerstone of our FY 1988 program for Sub-Saharan Africa is the proposed Development Fund for Africa which will combine the DA functional account resources for Africa including the Sahel Development program and a number of activities and programs formerly provided from the ESF. The proposal for the Development Fund for Africa, which grew out of a 15-agency Executive Branch review of how best to structure our assistance program for Africa, will enable us to increase the effectiveness of our assistance. Last May, at the United Nations General Assembly Special Session on Africa, the African countries as a group endorsed the need for such programs, recognizing that their own actions were key to resolving the continent's economic and financial constraints.

Essential elements of the proposal are: (1) the elimination of functional accounts to permit more effective use of limited resources; (2) continued emphasis on both economic policy reform and basic needs such as food production, health, child survival, and population; and (3) no-year funds to increase management effectiveness.

Across the continent -- in Guinea, Mali, Zaire, Malawi, Zambia, Somalia, and Niger, for example -- African leaders are giving increased attention to economic reform efforts. Moreover, our experience shows macroeconomic policies do directly influence the individual well-being of the poor. Zambia provides a case in point. The Zambian economic reform program includes liberalization of agricultural pricing, elimination of fertilizer subsidies, and an increased role for the private sector in agricultural marketing. These specific actions were ingredients in the original economic reform proposal. The equity effects of the program have been remarkable--the major beneficiaries are small farmers who had been for the most part at the basic subsistence level. Their incomes have risen significantly and are expected to continue at a high level. In the past, large farmers were the major beneficiaries of fertilizer subsidies and were helped by the system of administered foreign exchange availabilities. The result of our current program is more dynamic, competitive markets in which the poor have a fair chance of participating.

In order to implement this development approach I want to emphasize that the Fund must be as flexible as possible. Restrictions or earmarks will limit our ability to respond to evolving situations without disturbing ongoing negotiations for other activities. We are also requesting the Fund resources be available on a no-year basis so we can withhold a specific amount of money until our conditions are met -- in both project and non-project situations -- without the danger that these resources will not be available in the future - a situation which can seriously damage our negotiating position.

We also propose that the Fund provide the resources needed in FY 1988 and beyond for the Southern Africa Initiative proposed for initial funding in the FY 1987 Supplemental. The Initiative will focus on transportation, policy reform, and trade promotion.

106 Account

I would like to discuss another area about which we are concerned, that is the 106 Account. A.I.D. is proposing to change the title of this account from Energy, Private Voluntary Organizations, and Selected Development Activities to Private Sector, Energy, and Private and Voluntary Organizations in order to more clearly describe the programs funded within the account. This account is critical to the successful implementation of A.I.D.'s principal emphases because it is uniquely suited to address cross-sectoral development problems not covered in other more narrowly focused functional accounts, and to mobilize non-United States government and LDC human and capital resources. Projects and program activities funded under this account are designed specifically to support: private enterprise development as well as efforts to reform government policies and institutions; the activities of private and voluntary organizations and cooperatives; science and technology efforts; promotion of human rights and democratic initiatives; and, research and technical assistance activities to alleviate energy constraints to development including encouraging private investment in energy infrastructure. This account is the main source of funding for A.I.D.'s efforts to encourage the development of private enterprise and promotion of competitive markets vital to stimulate and maintain economic growth. More than 40 percent of the funds requested will be devoted to private enterprise

A.I.D.'s private enterprise initiative reflects the Administration's belief that greater reliance on private enterprise, individual initiative and entrepreneurship, the preservation of competition, and market forces to guide economic progress is essential for sustained, equitable growth in the Third World. A major emphasis of the private enterprise initiative is to help the poor majority through the pursuit of macroeconomic policies that positively affect the labor market. The beneficiaries of many private sector projects are micro or small-scale enterprises or poor farmers. Employment generation is a major aspect of all our private enterprise projects.

Private Voluntary Organizations (PVOs)

A.I.D. program strategies seek a balance between economic growth and basic human needs objectives. We recognize the significant role that Private Voluntary Organizations (PVOs) play in Third World relief and development. A.I.D. provides funding for PVO activities from all of the programs described above. In a little over a decade, A.I.D. assistance to PVOs has increased dramatically - from $39 million in FY 1973 to a requested level of $290 million in FY 1988. In addition to this amount channeled through the DA Functional Accounts and ESF, A.I.D. will administer another $309 million in P.L. 480 Title II and Section 416 food commodities and related ocean freight costs to support PVO food-based programs overseas. The A.I.D./PVO partnership is based on a mutual commitment to overcoming problems of hunger, illiteracy, disease and premature death in the poorer countries of the world. At a time when A.I.D. resources are severely limited, PVO programs are an increasingly important part of A.I.D.'s effort to foster self-sustaining development in the Third World.

Environment

Finally, since our hope for long term economic growth in the developing world must depend on the sustainable use of natural resources, I would like to discuss some of the ways A.I.D. addresses these issues. First, and most importantly, a concern for the protection and management of all natural resources is and must continue to be an integral part of all of our development activities. Agricultural projects routinely involve the application of effective soil and water conservation techniques. Environmental assessments are carried out for all development activities which could adversely affect the natural resource base. Alternative project designs are examined and measures to mitigate potential problems are implemented when identified.

Secondly, we promote policies, projects and programs that will have a positive environmental influence. This compliments and goes beyond the first approach. We support projects to encourage tree planting to protect critical watersheds and agricultural lands; to promote the use of integrated pest management techniques; to develop systems to provide clean water and sanitation services; and to create the institutional capacity in developing countries to deal effectively with natural resource and environmental issues at all levels, from government environmental agencies to local extension services and indigenous non-governmental organizations.

Today, I would like to highlight a few of the Agency's most important activities related to natural resource management: the Africa Natural Resources management plan, biological diversity conservation activities, cooperation with other bilateral and multilateral donor agencies and our work with non-governmental and private voluntary organizations.

The Africa Bureau has now completed a Plan for supporting natural resource management in sub-Saharan Africa. The Plan calls for increased integration of natural resource concerns within our overall assistance program, in particular agricultural development and policy dialogue activities. The policy dialogue activities are especially important because environmental degradation can only be stopped if individuals have incentives to manage and protect critical natural resources. The Africa Plan concentrates efforts on priority problems and ecological regions where there is a good fit between the nature of the problem and US experience. It calls for increased support to PVOs and nongovernmental organizations (NGOs) to implement on the ground activities and to foster far greater coordination among donor agencies working in Africa.

A.I.D. is expanding its efforts to promote the conservation of biological diversity. A number of exciting new activities will be funded this year. In most cases A.I.D. has leveraged funds from NGOs and other organizations. An example of A.I.D.'s commitment to preserving biodiversity is the grants program of the Bureau for Asia/Near East, started in FY 1985. This program has supported biodiversity activities in India, Jordan, Morocco, Oman, Turkey and the Near East Region, and includes research on sea turtles, public environmental education campaigns, and training and production of environmental educational materials.

In Africa, new activities co-funded with NGOs are being planned in Madagascar and other regions of Africa to support the management of parks and protected areas, wetlands conservation and to strengthen wildlife management training centers. Activities supported under a grant to the World Wildlife Fund are strengthening links between wildlands conservation and rural development in both Latin America and Africa.

A.I.D. is also increasing agency cooperation with Multilateral Development Banks (MDBs) and bilateral donors on developing and implementing environmental assessment procedures in order to more effectively encourage and promote environmentally sound development projects.

A.I.D. will continue to actively encourage the development and use of PVOs and NGOs to carry out many of its natural resource activities. We feel that the capacity of these organizations in this area is particularly impressive. In Haiti a U.S. PVO is assisting local farmers in adopting soil conserving and fertility enhancing farming technologies to stop soil loss and to promote better use of reclaimed land. In Chad CARE and ARICARE are working in the Sahelian zone to assist destitute farmers and displaced populations to increase food production by improved water management, agroforestry and soil conservation techniques.

I believe that our FY 1988 Request will be able to achieve significant progress toward our most critical foreign policy objectives.

Twenty-five years of foreign aid have not only brought substantial accomplishments of which Americans can be proud, but have given us a wealth of experience and technology upon which to base the future.

To really appreciate what has happened in the last 25 years we need to be reminded of what the developed world was like then.

-one out of four children died before the age of five;

-only a small minority of children attended school;

-the Indian subcontinent faced massive starvation;

-parents could not choose the size of their families;

-life expectancy averaged about 40 years of age.

Over the past 25 years, American foreign aid has played a major role in changing these conditions.

-child mortality has been reduced by one half;

-smallpox has been eliminated from the world;

-the majority of children in developing countries enter primary school;

-safe and effective family planning methods are available;

-life expectancy has increased 10-20 years in the Third World;

-and, India is self-reliant in grains.

I am convinced that our Budget Request for FY 1988 will help us begin the achievement of even more significant gains in the next twenty-five years of foreign aid.

SUMMARY STATEMENT

Senator INOUYE. Senator Kasten just notified me that unavoidably, he will be late today. He should be here in about 20 minutes, but he has asked us to proceed. If you would like to summarize your statement, please proceed, sir.

Mr. MCPHERSON. Thank you for a very warm welcome, Senator. We have been able to be successful because you and your colleague, Senator Kasten, have been extremely supportive and understanding in times that were very critical to us.

I hope and believe that in the last few years we have been able to strengthen various management systems. You have provided tools like deobligation/reobligation authority, which, in my judgment, has been one of the more important management changes that has been made.

I can go on to other things, but I think that rather than provide some long statement I would just like to respond to your questions.

Let me say that we would welcome any questions that you might have for Dr. Brady. Thank you.

PREPARED STATEMENT

Senator INOUYE. Thank you. Before we begin the questioning, I will insert into the record a statement submitted by Senator D'Amato.

[The statement follows:]

PREPARED STATEMENT OF HON. ALFONSE D'AMATO

U.S. SENATOR FROM NEW YORK

Mr. Chairman, I welcome M. Peter McPherson, the Administrator of the Agency for International Development, before our committee today to discuss foreign economic assistance programs.

Critical budget reviews have reduced foreign economic aid levels in recent years. The Gramm-Rudman-Hollings legislation coupled with concerns over a growing foreign aid package has constrained congressional support for bilateral aid programs.

The administration has requested $5.8 billion for bilateral economic assistance programs for fiscal year 1988. This is $143 million more than appropriated for this fiscal year (not including the supplemental request). Although I favor many of the programs included in the administration's request, I am concerned that, with severe cuts in other, more popular, domestic programs, the foreign aid program may have to endure significant reductions.

I am concerned about the fiscal year 1988 request of only $20 million for the American Schools and Hospitals Abroad program. Although it is double the usual administration request for this account, it is still well below this year's level of $35 million. For years, you and the administration have tried to emasculate this program, and each year Congress is forced to restore proper funding levels.

The ASHA program is one of our major foreign policy successes. The United States is the leader in medical care and education, and ASHA shares this useful knowledge with friendly and needy countries. Over 134,000 students study at ASHA-assisted schools, and more than 3.3 million people receive medical care at ASHA-assisted hospitals. There are particular programs, such as Shaare Zedek Hospital in Israel, that with only a modest amount of U.S. assistance, can serve a multitude of needy people: Jewish, Christian, and Moslem. While expanding the reach of American technology, ASHA also fosters a positive U.S. image abroad. I am confident that Congress will restore funding once again for the American Schools and Hospitals Abroad program.

Thank you, Mr. Chairman.

POPULATION FUNDING

Senator INOUYE. The first question has been a lingering one. It has been with us for many years. Last year, I and a number of my colleagues wrote to you to protest the decision to withhold fiscal year 1986 funding from the U.N. Fund for Population Activities and to raise our concern regarding future funding of the UNFPA.

I understand that the question of renewed funding of U.S. participation in the UNFPA is currently under review. I would ask that you refrain from making any determination with respect to this matter until we have had an opportunity to thoroughly review the questions that are in issue.

In April, the committee will receive a first-hand report on UNFPA activities in China. There is a very real prospect that we shall have a special hearing on Population Planning Assistance in May. The tragic and untimely death of Mr. Raphael Solas, who was Executive Director of the U.N. Fund for Population Activities, will result in a change of leadership, perhaps also in May.

I think these factors argue for a reasonable delay in making any decisions regarding funding of this program, and so as Chairman of the subcommittee, I will take the necessary actions and assure that all issues are fully examined before congressionally-mandated population policies are fundamentally altered.

Can you agree with us to withhold until June 15 of this year any further administrative decision regarding U.S. participation in UNFPA?

Mr. MCPHERSON. Your request, Senator, is appreciated. I think it is important, and I appreciate the fact that you are knowledgeable about this. The later in the year that you wait to reprogram the money it gets to be steadily more difficult. But it seems to me June 15 is a very reasonable date; perhaps especially in view of Mr. Salas' death and the other factors you mentioned, and we would be happy to wait until then.

PLANNED PARENTHOOD

Senator INOUYE. One of the oldest and most respected international family planning organizations is Planned Parenthood. I understand that Planned Parenthood may, under a ruling issued by your agency, soon be declared ineligible for further funding through AID population planning. Is that correct?

If so, why does AID believe that funding ought to be stopped?

Mr. MCPHERSON. The rule which we have been following since the administration made the decision in connection with the Mexico City policy statement, which was significantly modified in its final form from that which was circulated broadly, includes the position that AID would not fund non-U.S. organizations if part of their resources pays for or advocates abortion, even if these funds are not contributed by us.

We have been able to refine the policy since that determination was made, and at IPPF the policy didn't apply to grants which were already in place. Frankly, we consulted carefully with lawyers, and the concept that it didn't apply to grants already in place and that it only applied to non-U.S. entities were carefully worked through in light of the legal questions involved.

That policy would be applied to IPPF, as to all organizations in recent years, and they have the option of agreeing with the policy and getting funding, or not agreeing with the policy and, in effect, not receiving funding from us.

Senator INOUYE. Does this ruling apply even if this Third World family planning group uses its own private resources on abortion counseling?

Mr. MCPHERSON. That is what we have been doing for the past 3 years. That is, in fact, the point of contention. It is true that probably the most discussion has concerned this point.

Senator INOUYE. Since 1973, we have prohibited use of foreign assistance money, the amounts that we appropriate here, for abortions.

Mr. MCPHERSON. Yes.

Senator INOUYE. But I am just trying to clarify in my mind what justification AID would have in seeking to govern how private foreign entities use their own funds.

Mr. MCPHERSON. Essentially, it is taking a very strong position against abortion. It is a position aiming to have a maximum impact on the use of U.S. monies so as to diminish the number of abortions that occur.

If you start from the premise that abortions shouldn't occur, then you use the tools that you have available to reduce the number of abortions that do occur. On that basis, the Executive Branch and AID, as a member of the Executive Branch, have taken a strong position in every reasonable way we could do so.

That is the end that we seek. It seems to me to be true that this policy probably has, in fact, lead the way to reducing the number of organizations that advocate or perform abortions.

It is my judgment that the strategy has been successful.

Senator INOUYE. This policy you have just enunciated has been in effect for 3 years, hasn't it?

Mr. MCPHERSON. Let's see, it was 1984; 3 years, I think.

Senator INOUYE. Have you had any reductions in abortions?

Mr. MCPHERSON. Well, sir, this is difficult to determine, but we believe that some organizations have, in effect, decided that they weren't going to be involved in abortion. Pathfinder is a good example; and other organizations, it seemed to me, have a capacity to get involved.

Senator INOUYE. The rate of abortion has not decreased; it actually has increased, hasn't it, in more back-alley types?

Mr. MCPHERSON. We don't know. We do know that a couple of things have an impact on abortion. I believe that not advocating and not providing abortion services does facilitate the reduction of abortion, especially if it can be complemented with family planning services.

I have taken a very strong position that rationale for our family planning program ought to be on at least three bases: One, that couples ought to have an option to decide how many children they want to allow them to control their lives; two, that the number of children and mothers that die, decreases when children are born 2 years or more apart. We know that. And three, that family planning services do, in fact, reduce abortions.

It has been on those bases as well as others that we have argued that family planning is a good thing. Family planning numbers, as you know, have been steadily going up because of support from the Congress as well as the Executive Branch. I am a strong believer in family planning.

ENFORCING POLICIES OVERSEAS NOT ENFORCEABLE IN UNITED STATES

Senator INOUYE. I believe the stand in court by the Agency has been ruled illegal in support of Federal Government support of private groups involved in family planning programs within the United States.

Is it appropriate for AID to ask Planned Parenthood to enforce overseas a policy which is unenforceable in the United States?

Mr. MCPHERSON. The basis of the Arizona-based Federal court decision was this: The Constitution prohibited such a policy to apply to a domestic organization. As you suggested here, and as I have argued here today, this constitutional prohibition doesn't apply to a non-U.S. institutions.

They simply don't have the same rights and privileges under the U.S. Constitution. Accordingly, the use of U.S. money can be prohibited in this fashion.

I believe on a legal basis that this rule is well founded. If you take the position that the U.S. Government should do what it can to reduce the number of abortions that occur, the dual policy of prohibiting U.S. money to be used for abortions, plus increasing the amount of family planning available is the way to achieve your goal.

Senator INOUYE. So the goal is to reduce abortions, but you are not certain as to whether it has been reduced?

Mr. MCPHERSON. We think that the amount of abortions that have been advocated or performed by organizations with whom we work has been reduced. I would speculate, therefore, that abortion, per se, has been reduced.

DEATHS AS RESULT OF UNSAFE ABORTIONS

Senator INOUYE. These so-called supervised, the control of abortions may have been reduced, but overall, has abortions in the world been reduced or within the area over which you have jurisdiction? Put another way, have more women died as a result of unsafe abortions in the last 3 years, or have less women died?

Mr. MCPHERSON. My guess is that abortions overall may have increased, although I don't have figures on that. But I certainly don't think that the policy of AID in this regard has had the impact of increasing the amount of abortions that occur.

I would say that what is most important, Senator—Let me not say "most", but what is critically important in terms of reducing the numbers of abortions abroad is to try to expand the availability of family planning services. We know that the family planning services are available in countries such as Mexico and Chile, where we have done some careful study. We know that when family planning services and availability increase the number of abortions decrease.

So you can't just have an anti-abortion policy. You have to complement it with broad availability of family planning services, and we are trying our best to make such services available.

SEPARATE ESF ACCOUNTS

Senator INOUYE. As you know, in recent years, questions over the alleged personal enrichment of some of the developing country officials focus attention on the adequacy of controls on U.S. foreign assistance programs to prevent diversion of unauthorized purposes.

How does the Inspector General intend to implement the new legislation which requires cash transfers of over $5 million to be deposited into special accounts, separate accounts? And do you anticipate any difficulties in implementing this requirement?

Mr. MCPHERSON. We have sent to the field guidelines on the implementation of this requirement. We have had cash transfer accounts in several Central American countries for several years.

Frankly, we have learned to work with them, and we think that they are a tool that can be just fine. There are a number of tools that we have exercised over the years to check on how we are doing things, such as our audits. We have what we call a mission management assessment. We have a program weekly where we deal with these issues at great length. We have a new comptroller review system. All these things are management tools to carefully control all programs, not just cash.

I would say, Senator, that the separate account is an adequate means of being able to account to the American people on cash transfers. I would hope that there are no further restrictions on the use of cash transfers because they are a critical tool. For example, in the Philippines, Haiti, and other places they have been used for such foreign policy purposes as economic policy reform, and I hope that we can keep the flexibility we have.

DIVERSION OF FUNDS IN ECUADOR

Senator INOUYE. I understand that your Inspector General is now investigating, and you may not wish to comment publicly, but I believe I am justified in asking whatever you can tell us about alleged unauthorized diversion of funds in Ecuador.

There have been news accounts of this. Ecuadoran news accounts suggest that the AID funds have been used, and I quote, "To top off, or add to salaries of government of Ecuador employees."

Are these reports correct, and if so, who made these payments? And were they authorized by AID in Washington?

Mr. MCPHERSON. The investigation into this matter is not complete, so my comments won't be complete. But a series of things have occurred: One, the Controller of the mission has been removed. Two, the Deputy Mission Director has been removed. The Mission Director who was there has since gone.

He was not a career appointment. In my judgment, what was involved here was not a matter of diversion of funds in the sense that somebody was enriched, but a matter of bad judgment which I, as you can see, am holding people accountable for.

The concept of occasionally supplementing a foreign person's salary is a concept which we and the World Bank and others have used. The French have used it extensively. But I believe that it must be used sparingly and very carefully, and frankly, it was abused here.

To that end, I have taken these actions with respect to Dick Moore. This policy was not approved in AID. In fact, while we haven't had a formal policy of approving these actions in Washington, henceforth, all supplemental salaries will, indeed, be approved in Washington.

SUPPLEMENTING PAY OF FOREIGN GOVERNMENT EMPLOYEES

Senator INOUYE. What is the justification for supplementing the pay of foreign government employees?

Mr. MCPHERSON. We and the World Bank and others over the years have found that foreign government salaries are extraordinarily low for a minister, or a high official, or a critical expert. At a time when a government is trying to do something, they often can't attract the people that they need to carry off a new program.

To that end, it makes some sense to be able to supplement pay to get a few very good people. Now, in my judgment, this should be very limited and it should be very public—everyone ought to understand, especially the public. There ought to be general agreement. It is not something which anybody should be trying to persuade people to do. The government should badly want it, and there should be a careful rationale for a particular person. It should not be a general concept.

Senator INOUYE. When were you made aware of this problem?

Mr. MCPHERSON. I was first aware of it, I believe, in October.

Senator INOUYE. When was the I.G. made aware?

Mr. MCPHERSON. About the same time. In fact almost simultaneously with when I became aware of it. I am still sorting through it a little bit, Senator. I would be happy to provide you with a detailed report of it, but, in fact, I haven't got all my facts carefully down.

Senator INOUYE. Just so I have it clear in my mind, country X has a position called Minister of Economic Development, and AID wishes to assist country X in economic development. But his pay is, say, the equivalent in the United States of $20,000.

Mr. MCPHERSON. Let's say a couple hundred a month, or $300 a month.

Senator INOUYE. Four thousand dollars a year, and you are unable to attract, country X is unable to attract first-class people to work at that level, even as a minister. So you set aside, say, $50,000.

Mr. MCPHERSON. Not anywhere near that much. Usually much less.

Senator INOUYE. Whatever it is, to attract this person to work in this position.

Mr. MCPHERSON. Often he would be coming from a place where he would be making several times that, so he would be coming into a situation where he would be taking a major cut.

Senator INOUYE. This is done with the knowledge of country X?

Mr. MCPHERSON. Absolutely.

Senator INOUYE. And approved by the government of country X?

Mr. MCPHERSON. Absolutely. That is the only way to do it.

Senator INOUYE. I have been told that the amount involved in Ecuador is $810,000 per year. That is not a really small amount. How many ministers were involved?

Mr. MCPHERSON. There were many individuals. I would like to get you the data, but I don't have it. Clearly, in my judgment, as reflected by the removal of several officials, this was a matter that I believe was legitimate which was then abused.

Senator INOUYE. Did it involve ten officials?

Mr. MCPHERSON. More.

Senator INOUYE. Twenty?

Mr. MCPHERSON. I don't have the numbers, Senator, but I think there were even more than that. Perhaps a couple dozen. I don't want to mislead you.

Senator INOUYE. I would appreciate a full report when that is available.

Mr. MCPHERSON. I am happy to do that.

[The information follows:]

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

OFFICE OF
THE ADMINISTRATOR

April 21, 1987

The Honorable Daniel Inouye
Chairman, Subcommittee on Foreign Operations
Senate Appropriations Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

During the Subcommittee on Foreign Operations hearing on March 17, 1987, the A.I.D. Administrator agreed to provide you with additional information concerning the subject of financial management deficiencies in the A.I.D. Ecuador Mission, including the supplemental salary payments to Ecuadorean employees intended to attract qualified people to government service.

Enclosed is an interim report which summarizes the principal facts as we know them to date. This report includes the circumstances under which the supplemental payments practice was established and terminated and actions we have taken to correct the problems which have emerged.

A Mission review of the financial management issues in Ecuador is ongoing; the A.I.D. Inspector General is continuing its investigation; and the rebuilding of Mission management is proceeding. Consequently, this letter is intended as a status report. This material represents the best information available to me at this time, but I would point out that later information developed in the course of ongoing IG and Mission activities could later require supplementing and/or modifying this material.

The report, in its present form, is classified because it refers to confidential discussions with senior Ecuadorean officials. Also we believe it is important to maintain the confidentiality of this document to protect the right of several employees to privacy until the investigations are completed.

I would be pleased to meet with you to discuss this issue in more detail if you wish.

Sincerely,

Jay F. Morris
Acting Administrator

Enclosure: a/s

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

JUN 24 1987

The Honorable Daniel Inouye
Chairman, Subcommittee on Foreign Operations
Senate Appropriations Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On April 21, 1987 we sent to you a document titled "Interim Report Financial Management Problems in Ecuador." In response to the Committee's request, enclosed is a copy of the unclassified version.

The enclosed document remains an interim report; it describes the status of events as of the date the report was originally submitted and represents the best information then available in Washington. On transmitting the classified version we stated that information developed in the course of the Inspector General (IG) investigation might necessitate supplementing or modifying statements in the report. IG reviews are still ongoing. When the reviews are completed, we will forward to you an update to add or modify any information which may be required to make the report as complete and accurate as possible.

We would be pleased to meet with you to discuss this matter in more detail if you wish.

Sincerely,

Kelly C. Kammerer

Kelly C. Kammerer
Director, Office of
Legislative Affairs

INTERIM REPORT

FINANCIAL MANAGEMENT PROBLEMS IN ECUADOR

Background

Over much of the past year, A.I.D. has become increasingly aware of and deeply concerned over a series of management problems within the Ecuador USAID Mission, especially in the area of financial management. Primarily as a result of investigations by new Mission leadership and the Inspector General (IG), A.I.D. has determined there were a number of serious deficiencies in the Mission's operations, as well as actions clearly contrary to normal A.I.D. practices. Some of the roots of these problems may go back to the re-staffing of the Mission that was nearly phased out in the late 1970s and then grew quickly several years ago.

Information has emerged in stages from these investigations, and is still being developed by USAID Mission management and the IG. The focus of the Mission problems was in the area of financial management, and included a highly improper approach to salary supplements which were intended to help attract quality people to the Ecuadorean Government. The information available thus far has required an overhaul of many of the financial management practices in USAID Ecuador and significant changes in personnel, including replacing the Mission Director and Controller, as well as a series of Agency actions to prevent similar problems elsewhere.

A. The Salary Supplements

For a period covering over two years, salary supplements, possibly totalling the equivalent of over $800,000, were paid to Ecuadorean officials from A.I.D. and Government of Ecuador (GOE) funds for services rendered between August, 1984 and October,

1986. The funds supplemented the normal salary paid by the GOE and were intended to attract and retain qualified private sector officials for the GOE's Ministries of Finance and Agriculture.

A.I.D. understands that the salary supplements were suggested by Ecuadorean officials to then Mission Director, Orlando Llenza, in late 1984. Officials in the newly-elected Ecuadorean Government reportedly stated that the GOE could not afford to pay the salaries needed to attract top officials from the private sector, and that such talent was regarded as necessary to formulate and execute government programs to stabilize the economy and promote economic growth.

The decision to provide the salary supplements was made in the Mission without Latin America and Caribbean (LAC) Bureau or Agency knowledge or approval. Although salary supplements may be appropriate for development purposes and have been used successfully by A.I.D. and other donors to attract and retain top people, the procedures used in Ecuador were extremely unwise and were contrary to Agency practice. As soon as the facts were known in late October, LAC Bureau management and the recently appointed Mission Director took decisive steps to halt A.I.D. participation in the salary supplements.

The concept of salary supplements if executed pursuant to an international agreement is not illegal. Salary supplements are most often used to enable financially strapped third world governments to attract or retain highly qualified people in key positions requiring technical experience or to encourage staff to work in rural hardship areas. The particular arrangements made by the Ecuador Mission, however, were highly irregular. This problem was part of an overall breakdown in the management of A.I.D.'s Ecuador Mission, which resulted in inadequate controls and serious departures from normal A.I.D. procedures and practices. Over the past several months, in reviewing the history of this activity, it is clear that extremely poor judgement was used in devising and executing the salary supplement plan, and that this was but one of a number of Mission failures. The particular method used in Ecuador was seriously flawed because (a) provision of salary supplements was not justified in A.I.D.-approved project documentation; (b) documentation supporting payment of the supplements was inadequate to determine the specific uses of project funds; (c) the magnitude was too great; (d) the means used to make the payments was inappropriate and contrary to A.I.D. practices, and (e) the arrangement was not made openly.

The LAC Bureau was not apprised of these salary supplement arrangements until October, 1986, when they were called to its attention by the new Mission Director, Frank Almaguer. The Bureau had earlier become increasingly aware, however, of other financial management deficiencies in the USAID Mission. Beginning in the spring of 1986, in conjunction with the Management Bureau, the LAC Bureau took certain actions, starting with the replacement of the Mission Director and Controller, and continuing to the present in order to strengthen the financial arm of the Mission. The following is a list of principal events leading to major management changes in the Ecuador Mission and the October termination of salary supplements by A.I.D.

B. Chronological Highlights

1. July, 1985.* A former Agency Controller was contracted to review Mission accounting operations for conversion to an automated accounting system. The report came to the LAC Controller on July 29, 1985 basically recommending new staff and training for the Mission Controller's office plus preparatory work for conversion of accounting records to an automated accounting system.

2. January, 1986. The LAC Bureau carried out a Mission Assessment of the Ecuador Mission which identified some deficiencies in the Controller operation of the Mission, leading to the later replacement of the Controller.

3. Spring, 1986. The USAID Mission contracted with a financial expert (a former A.I.D. Mission Controller) to train staff in the Controller's Office. He noted various financial operating procedures at the Mission that were inconsistent with normal Agency policies and procedures, and began to implement corrective action. The most serious problems had not yet emerged.

4. June 13, 1986. A new Mission Controller arrived in Quito.

5. June 14, 1986. Mission Director Llenza was recalled and later resigned from A.I.D.

* In 1985-86, IG personnel were in the Ecuador Mission for various purposes. Their involvement is not included in this chronology since that information is more appropriately obtained directly from the Inspector General's Office.

6. Summer, 1986. The new Controller officially assumed the Controller position in the Mission June 23, 1986, and began to uncover major deficiencies in the accounting system of the USAID Mission. Along with the contract financial expert, the new Controller became deeply involved over the next few months in the time-consuming sifting through and resolution of the many complex problems they uncovered, such as the use of an obsolete accounting system, invalid obligations of A.I.D. funds, delayed payments of vouchers, mispostings and erroneous charges to accounts, and an extraordinarily high amount of project advances. While the Mission had previously requested an additional Direct Hire for the Controller's Office, due to an Agency-wide shortage of ceilings and particularly Controller staff, it was not possible to provide the requested position. Serious illness of the Controller during

the summer, however, delayed his ascertaining just how serious the problems were.

7. Late July, 1986. The Deputy Administrator for Management visited USAID Ecuador to conduct a brief and limited informal management survey. His review underscored the deficiencies in financial and other management aspects of the USAID Mission, and he heard rumors of salary topping problems.

8. August 14, 1986. A new Mission Director, Frank Almaguer, arrives in Quito.

9. September 24, 1986. The Mission Director was told for first time by the Mission Program Economist that a number of high Ministry of Finance employees were receiving salary supplements from the USAID Mission. Almaguer further learned that the payments had been in place for about two years. Details of transactions were not disclosed, however, and the Controller then also becoming aware of the practice, was preoccuppied with year-end close-out requirements.

10. Early October, 1986. Director Almaguer and the Controller uncovered new information which convinced them that financial management problems were far more serious then earlier reports had suggested. Almaguer phoned Dwight Ink, Assistant Administrator of the Bureau for Latin America and the Caribbean (LAC), that the financial management problems were more serious than he had expected from earlier reports, that he had phoned the Regional Inspector General's Office (RIG) to ask that office to look into the serious problems that were emerging, and that more information would be provided. The Controller also kept Financial Mangement authorities in Washington informed of these problems. A USAID/Ecuador memo, dated September 30, which provided a status report on Almaguer's concerns, provided the basis for a general briefing of the A.I.D. Administrator by Ink concerning the fact that the new Mission Director and Controller were finding several financial problems to be of deeper concern than earlier realized.

11. October 9, 1986. Director Almaguer phoned Assistant Administrator Ink that he (Almaguer) was correcting the tax withholding failures and also advised him in very general terms of the existance of a salary supplement arrangement. Almaguer cautioned that the information was still limited, and he was not yet in a position to discuss specifics, but that he was very concerned.

12. Mid October, 1986. Director Almaguer discussed more specific aspects of the salary supplement scheme with Assistant Administrator Ink on the telephone. Both Ink and Almaguer agreed that the practice must end. (Classified material deleted.) This position was approved by the A.I.D. Administrator.

13. October 23, 1986. Assistant Administrator Ink arrived in Quito for a Mission Directors' Conference and after learning full details of the salary supplement practice from the USAID Mission, a meeting with the President of Ecuador was scheduled.

14. October 28, 1986. The U.S. Ambassador, the LAC Assistant Administrator, the USAID Mission Director and the Deputy Assistant Secretary for Inter-American affairs met with President Febres Cordero. (Classified material deleted.)

15. October 31, 1986. No payments were made by the Mission for employment occurring after this date. However it was later learned that one senior Ecuadorean technician whose supplement had been funded from an A.I.D. grant continued to be paid directly by the grantee for work performed until December 31, 1986. Final payments totalling approximately $30,000 were processed in November to cover the prior professional services of 42 officials in the Ministries of Agriculture and Finance for work performed in the month of October, 1986.

16. November 5, 1986. Upon return from Ecuador and El Salvador, Assistant Administrator Ink briefed Administrator McPherson on the El Salvador earthquake rebuilding issues and his meeting with the Ecuadorean President which had included the decision to terminate the arrangement for salary supplements.

17. December 5, 1986. The LAC Bureau sent a memorandum (first drafted in November but coordination extended into December) to the IG in Washington in which the IG was asked to broaden its investigation requested earlier by the Mission to cover all financial problems which could result in a violation of law, regulation or Agency policy.

C. Corrective Actions

It is now clear that the period of time required for the seriousness of the problems to emerge reflected both a breakdown in A.I.D. procedures and a failure of A.I.D.'s checks and balances to function promptly. In addition, A.I.D. has learned that a violation of the Anti-Deficiency Act may have been committed. Based on this information, A.I.D. management is pursuing its own investigation regarding the Anti-Deficiency Act and will determine its present obligations under the Act. The serious management problems in Ecuador and their correction have been complicated by the Agency's shortage of qualified and experienced financial personnel. However, based on the information which has been developed, many important measures have been taken by the Mission, the Bureau and the Agency to correct the deficiencies and strengthen Mission management, the most important of which are the following:

1. The A.I.D. Administrator has issued criteria and guidelines limiting the payment of salary supplements. These have been personally transmitted to the LAC Mission Directors by Assistant Administrator Ink.

2. As a result of a series of Mission management reviews undertaken by A.I.D.'s Management Bureau, the Office fo Financial Management has instituted a systematic review of all Mission controller operations world-wide. At least once every three years each Mission financial management operation will be examined by a

team of senior A.I.D. Controller personnel to determine compliance with Agency and federal financial management regulations. Also, the Agency is requiring that more in-depth analysis of the integrity of each financial unit be ensured through the preparation and certification of Vulnerability Assessments. Furthermore, senior officials in A.I.D.'s Mangement Bureau have been carrying out intensive reviews of the management and use of operating resources and personnel in individual USAID Missions.

3. The LAC Assistant Administrator has directed the Bureau Controller, in addition to continuing to assist the Agency Controller in monitoring correction of financial management problems emerging from the Agency's Internal Control Assessment process and reviews conducted by the Agency Controller, the Inspector General, and the General Accounting Office, to give priority attention on behalf of the LAC Assistant Administrator to ensuring that appropriate mission actions have been taken. In coordination with the LAC Management Assessments, the Bureau Controller will soon begin to schedule periodic on-site reviews to verify compliance by our overseas Missions with the intent of the Federal Manager's Financial Integrity Act in order to augment the technical reviews of the Agency Controller. The Bureau is seeking additional Controller staff to support this effort.

4. Because of deepening concern about the need for a stronger emphasis on management in the Bureau and more effective liaison with the Bureau for Management, Assistant Administrator Ink had also recommended in late spring of 1986, and the Administrator approved, the recruitment of a highly qualified and experienced management person as a proposed new Associate Assistant Administrator for Management. Recruiting efforts for a permanent incumbent have not been successful to date, although that role is being filled temporarily for 90 days by Fred Fisher, who has

managerial background with A.I.D., and the State and Navy Departments.

5. The LAC Bureau has issued interim instructions which strictly define and limit the use of PD&S funds, effective immediately for new obligations.

6. The following represent actions taken by the Ecuador Mission to strengthen financial management:

-- The new USAID/Ecuador Controller has initiated or completed actions to:

-- convert the project accounting system to an accepted A.I.D. accounting and reporting system;

- o convert the defective project accounting system to an accepted A.I.D. accounting and reporting system;
- o deobligate funds in expired projects, invalid obligations or terminated activities;
- o establish procedures to ensure that all vouchers are paid in accord with the Prompt Payment Act;
- o establish a program for analyzing all projects to correct mispostings, erroneous charges to loans, and to reconcile the project accounts to A.I.D./W records and reports;
- o ensure payroll deductions of federal taxes from Personal Services Contractors;
- o reconstruct a trial balance of outstanding bills for collection to employees and contractors and initiate collection activities to obtain payment for bills dating back to 1979;
- o reduce the level of outstanding advances from $9 million in June, 1986 to less than $3 million in February, 1987.

-- USAID/Ecuador has issued a Mission Order that defines precise responsibilities for each office in the process of project implementation and design, and assigns a key role to the

Mission Controller in reviewing and approving documentation related to financial matters.

-- In 60 to 90 days, A.I.D. will bring in an accounting firm for an independent review of the adequacy of these Mission actions.

7. The following personnel actions have been taken to strengthen USAID/Ecuador's management:

-- The Bureau has replaced the USAID Director, Deputy Director, and Controller. Recruitment is also nearing completion for a new project development officer. The new Director has a substantial background in management, including having served before in the office of the IG. The new Controller is a CPA, and one of A.I.D.'s most experienced financial managers, having served previously as Controller in Indonesia and Honduras and as a Deputy Controller in the Office of Financial Management of the Agency.

-- Two Foreign Service National employees and one PSC employee within USAID in Quito have been terminated on the basis of poor performance. Another five employees have been transferred to other positions more suitable to their qualifications.

-- The Bureau has contracted a retired A.I.D. Mission Controller to help train FSN staff, and extended his services from 6 months to 12 months.

-- The Bureau created a new Deputy Mission Controller position, for which A.I.D. intends to assign a highly qualified person, but candidates have been very hard to locate.

-- The Bureau decided to transfer the Regional Legal Advisor and the Regional Contract Officer to Quito to provide additional support to the USAID Mission.

-- The Bureau has authorized the new USAID Director to bring on board PSC's or secure additional contract services to train the Controller staff and ensure that financial records are up to date, accurate and properly maintained. A former FSN chief accountant has been brought on board to help correct project accounts and train the local Controller staff.

Great effort has gone into this comprehensive set of actions which we believe will correct the financial weaknesses found in Ecuador and also provide insurance against similar problems occuring elsewhere.

Nonetheless, as Assistant Administrator Ink has testified, A.I.D. continues to be handicapped by a shortage of highly qualified people in the controller area, and we have found it difficult to adequately address some major managerial shortcomings. The Mission review and the Inspector General's investigation are still underway, and the need for further personnel and management actions will be determined as the result of these investigations are known.

Senator INOUYE. I asked the question, because I have not been deluged, but I have had more than my usual number of letters. When articles like this appear, it becomes very enticing to focus right in.

Mr. MCPHERSON. It is a problem. We think that we have it under control now with a new mission director and a new comptroller.

But it is something that we just need to deal with, and I am happy to give all reports to you. Incidentally, the kind of people, in my judgment, the very few who should have these supplementals should be people with unique expertise, not necessarily always top people. It's just as in this society where we pay medical doctors more than civil servants, generally, because doctors are harder to attract. That same kind of concept is involved here.

What is wrong here is that a good idea was abused and expanded; there wasn't full disclosure or full knowledge by all parties involved. The government apparently knew, but we didn't in Washington, and for that reason I have taken some actions which are fundamental to preventing a similar episode.

Senator INOUYE. You have said that this was poor judgment. You don't believe that any law is provided?

Mr. McPherson. Well, it is not clear to me. I feel reasonably confident that no U.S. law was involved. That is the judgment so far. Whether or not there is an Ecuadoran law that was violated, I am not able to say.

MISSION DIRECTOR IN ECUADOR

Senator Inouye. Was the Mission Director a career employee?

Mr. McPherson. No.

Senator Inouye. No?

Mr. McPherson. We have very few non-career employees, and this was one.

Senator Inouye. I asked that because I thought it was just about a policy that all of your Mission Directors were career-type employees.

Mr. McPherson. Generally, that is our position, and it is the position that I am strongly in favor of. We have, at this juncture, no formal country Mission Director who is a non-career employee.

It isn't that political employees can't do a good policy job; it's just that we have such big budgets and such intricate rules and procedures that it is hard for anyone who hasn't been in the system for a while to understand all the reasons things are done a certain way.

For example, there is a man by the name of Jocelyn who is from New Hampshire and a former Peace Corps man who worked as Congressman Cleveland's Administrative Assistant for many years. Before he had major responsibilities in Jamaica, he was a Deputy Mission Director in Bangladesh.

That is a pattern that usually has occurred. Exceptions have been rare, and this was one. Frankly, in my judgment, it reinforces the position that a non-career person cannot, even with the best of intentions, come up and take over one of these missions. Jocelyn is a good man, I might add.

MISSION DIRECTOR IN GUATEMALA

Senator Inouye. The Director of the IDA mission in Guatemala known as ROCAP, is that a political appointee?

Mr. McPherson. That is a political appointee. It is not a country mission, but that is a regional office that is relatively small. The other regional officers in Africa are both career types.

Senator Inouye. Are these political appointees? Are they imposed upon you? Are these appointments imposed upon you from some higher command?

Mr. McPherson. My colleague points out that in Burma, we also have a political appointee, a former military man who had extensive experience in that part of the world.

Mission Directors, by and large, have been under the purview of the AID Administrator. I personally am involved in all major appointments in our agency. The exceptions, discussions with the White House, have been rare, but they have occurred, and the law allows them to occur.

Senator Inouye. Let's turn to operating expenses.

Mr. McPherson. I might say, Senator, particularly in the last 2 years or so, that the White House Personnel Office has been very helpful, particularly Mr. Tuttle.

OPERATING EXPENSES

Senator INOUYE. We may return to something else which is right down the line, updating expenses.

Mr. MCPHERSON. I brought my colleague, Mr. Rollis, with me at this point.

Senator INOUYE. The Agency's cost of doing business in 1981, when you began your service, as shown in the appropriation for AID operating expenses, was $300,578,000, and this amount was equal to 26 percent of the Agency's Development Assistance Program.

For fiscal year 1988, you are requesting $426,810,000 for AID operating expenses. The amount requested for development assistance, including the $500 million fund for Africa, $1,658,450,000. Operating expenses, again, are 26 percent of the program level.

Obviously, I am pleased to see that the operating expenses have not grown as a percentage of the agency's total program. Nevertheless, I am concerned that it is now costing in excess of $400 million to operate the agency.

Senator INOUYE. Operating expenses have become AID's third largest account. Have you taken any measures to reduce AID's operating expenses?

Mr. MCPHERSON. I would say that operating expenses are a daily matter of concern to me. And because over the years, with the tightness of that budget and the fact that I have felt that I was personally being held accountable to you and a few other key people, especially to you and Mr. Kasten, operating expenses are managed extraordinarily well in our agency.

We fight over placing a person in this country versus a person in that country, which is an operating expense issue, as frequently as almost any other issue.

We are very interested in trying to figure out how to deal with reducing operating expenses. For example, we have put into place a good many computers for word processing as well as accounting machinery to help reduce the need for staff—staff that has cost us some money, but we have been modernizing since 1981.

We have reorganized one bureau. We have combined the Asia bureau and the Near East bureau thereby reducing the head count for Washington by 45 people.

Washington has been cut by several hundred people since I have been here. The field has roughly stayed the same, but I have delegated to the field very substantial responsibilities. Frankly, you get things like our Ecuador problem as you delegate. But I think overall it has been a good management move.

EXCESS TYPEWRITERS

Senator INOUYE. When I first became Chairman of the subcommittee, AID was in a rather messy condition, to say the least. I remember a little nit-picking that was involved in the Washington operation. There were twice as many typewriters as personnel, and yet they were requesting more typewriters. We don't have that situation, do we?

Mr. McPherson. No, sir, we do not. Mr. Rollis wouldn't buy another typewriter unless somebody forced him to do it.

Senator Inouye. You have got enough typewriters?

Mr. Rollis. In fact, at that time, we were writing them off, but we are not buying typewriters; we are buying word processors now.

Senator Inouye. Don't tell me you have got more word processors than you need.

Senator Mikulski. Mr. Chairman, they have more words.

Senator Leahy. You have to understand, you have to understand, Danny, that the Constitution requires that the U.S. Senate has to be at least 30 years behind the times, as we presently are in our computers, word processors, space, and everything else. So at least we should give credit.

Senator Inouye. Do you need typewriters? [Laughter.]

Senator Leahy. We are still using quill pens over in the Russell Building.

Mr. Rollis. Senator, as a matter of fact, we now have about 2,500 word processing work stations as opposed to about 350 back in 1981, most of which are overseas.

But we do have, in some missions, a situation where we have more word processing units than we have U.S. direct hire. But that is due to the fact that we have a large number of foreign nationals in both our controller's and contracting shops, so one day, we may have more work stations than we have U.S. direct hire employees.

Senator Inouye. That is important.

I have many more questions, and I will come back, but we have a new but very knowledgeable member of this subcommittee, and you can expect important things coming out of her office, in case you haven't met her.

Mr. McPherson. I have indeed, actually.

Senator Inouye. I would like to now recognize Senator Mikulski.

Senator Mikulski. Thank you, Mr. Chairman.

FINANCIAL ACCOUNTABILITY AND EFFICIENCY

Mr. McPherson, I wanted to go over some issues related to financial accountability and, I guess, programmatic efficiency. My two working documents to get to know the Agency better were the 1986 GAO report and then also the 1983 Booz-Allen & Hamilton report that reviewed your agency. I would like to go to the 1986 GAO report about some of the things related to disbursements.

One of the concerns that I had was that AID's disbursement file for the period of that report was approximately $382 million less than the $4 billion actually spent. In other words, from what I gather from the report, you couldn't account for $382 million allegedly, because of the decentralization of your expenditures and lack of a centralized computer.

You had lost or couldn't account for a third of a billion dollars. I found that extremely disturbing. Could you comment on that as we review this?

Mr. ROLLIS. Senator, we received a large number of GAO reports. I don't recall the details of this one, but I can explain, I think, what the situation would be.

We paid, in our commissions out there, for instance, travel paid out of the mission; the voucher never comes to Washington. So that we cannot tell you how much within that voucher, what airline he took or anything like that. The knowledge, the information is there, but it is in the mission.

And we make conscious decisions as to what level of detail that Washington needs to know and then audit the mission so that the level of detail that the taxpayer needs to know is there. But there is no reason for us to collect all these vouchers and invoices that are paid in the field in Washington, except in total, so that they submit their reports to us in summary.

Mr. MCPHERSON. But the basic point, in answer to your question, is that all moneys can be accounted for, not that we made a very conscious decision, Senator, in fact, that I was just discussing with Senator Inouye.

Senator MIKULSKI. I heard part of that. That is why I wanted to pick up on that.

Mr. MCPHERSON. When I came here in 1981, I thought that AID was far too centralized in Washington. Frankly, when you have got a mission out someplace in Africa or Latin America it is just too much to expect everything to come back here.

So I gave to missions very substantial authority within policy guidelines to implement their program. Missions, therefore, are audited and checked regularly to be sure that we know what is happening.

DOCUMENTATION OF FIELD EXPENDITURES

Senator MIKULSKI. The GAO report that I am talking to was requested by Dave Obey, and it was requested April 18. But it says that according to them, there is no system; cash transfers are comingled with other moneys. There is no systematic documentation of their actual use.

Believe me, I can appreciate decentralization; and you don't need a receipt for somebody who is taking a cab in Cairo from the U.S. Embasssy over to the Cairo Health Department. I am not talking about micromanagement.

Senator LEAHY. Probably won't get there, anyway.

Mr. MCPHERSON. Take a good hour, anyway.

COST ACCOUNTING

Senator MIKULSKI. It probably would have been over a $100 that would have documented. It is a third of a billion dollars.

Also, they talk about things like this: Disbursements through commercial banks and about $400 million for which the ultimate addresses were not complete. You sent money, checks, relating to $400 million and the addresses weren't complete.

You have got $5 billion to spend worldwide, and we are looking at how you account for it and how we account for it.

Mr. McPherson. This is a different issue than the one we just addressed. The issue is degree of auditing that we should do on cash transfers. Senator, we give to Israel, once a year, a check for over $1 billion. We don't try to track where that billion is spent.

The only restriction on that is an exchange of letters between ourselves and Israel concerning some use of U.S. sources, but basically, it is a cash transfer.

A few years ago, AID began to set up separate accounts for money that went to Costa Rica and El Salvador. We gave our money as cash under a separate bank account, and then we agreed with the Costa Ricans about where that money was going to be spent. But we didn't try to establish an audit trail ourselves.

Senator Mikulski. We can go through all that. But what you are criticized for is that cash transfers were comingled with other moneys and that there was no systematic documentation of their actual use. So that I understand a cash transfer, which is essentially your grant program; am I correct?

Mr. McPherson. It is usually given to countries like the Philippines and Haiti.

BLOCK GRANT THEORY

Senator Mikulski. It is like a block grant.

Mr. McPherson. It is a block grant, that is right. To speak in Federal Government terms, it is a block grant to a State.

Senator Mikulski. Sure, and I understand that, and we have Federal guidelines, principles we could audit where they fulfilled their intent, but essentially, it is to provide a maximum local flexibility.

Mr. McPherson. The block grant concept is a good one.

Senator Mikulski. That is fine, but then this was also comingled with other moneys, and there was no systematic documentation of that use. Do you follow me?

Mr. McPherson. Sure.

Senator Mikulski. I could give you a copy of this.

Mr. McPherson. No, I know the report.

Senator Mikulski. What we want to be sure is that when we spend this money, and you have very important goals furthering democracy around the world and strengthening local economies, moving them to more private enterprise, we have to be able to account for that.

Mr. McPherson. Congress last year passed a bill which legislated worldwide what we had already been doing in Central America in establishing separate accounts which would, in effect, prevent the commingling.

Senator Mikulski. Would you do that in every other region of the world or just——

Mr. McPherson. Yes. According to these new rules, there has to be separate accounts. We had been doing that in some Central American countries because they were more controversial, but now there is this provision on the books which requires separate accounts for the money in all countries receiving cash transfers over $5 million.

For example, we are going to be providing about $150 million in cash to the Philippines this year, and that will be provided through a separate account in the Philippines.

Senator MIKULSKI. OK.

Mr. MCPHERSON. I like your concept of the block grant, because that really is the way cash transfers work.

Senator MIKULSKI. I think it would be a useful technique, then, for you to take a look at in terms of organizing your management initiatives, where we hold the States accountable, they can, then, report to us when they are used.

We only mandate the general areas we want them to spend it in, and we could elaborate on that.

Mr. MCPHERSON. That is right. I think I will go back through the block grant rules. I thank you for using that example. It is a good one.

EFFICIENCY IMPROVEMENT

Senator MIKULSKI. In 1983, Booz-Allen & Hamilton reviewed the AID contracting grant processes. It was supposed to be kind of the benchmark of how to improve efficiency.

I want to go over some of the questions on how well you have improved yourself. Do you feel you have made progress?

Mr. ROLLIS. Yes.

Mr. MCPHERSON. We think so, but this is a constant struggle. How to get things done faster in the bureaucracy is my biggest headache. I think the most important thing I have done since I have been there in terms of efficiency was the decentralization move. But there are a lot of other little things that I have done.

DUPLICATION OF EFFORT WITHIN HAITI

Senator MIKULSKI. Let's go to the decentralization issue exactly. I would like to bring up the concerns I have about duplication of efforts. As you know, Mr. McPherson, there are only so many dollars to be spent around the world.

I am concerned that we have duplication of efforts in certain host countries and that there is no, essentially, one-stop shop, either from AID, to make sure people are working together, coordinating, not duplicating and so on.

An example that I am talking about is in Haiti. As I understand it, in Haiti alone, right now, there are over 100 private voluntary agencies all working in health care. Some get money from us, and they are great agencies. Salvation Army, CARE, Catholic Relief, all of whom I have confidence in. We are not talking about fringe groups.

At the same time, awards are giving being to not-for-profit organizations to develop nationwide health care programs. We have got 100 agencies working in Haiti. This is a little, small country. Some, we get money to do health, usually in immunization and so on. So my question becomes: What do you do in a place like Haiti, or do we fund duplicate programs? How do you avoid that? Is there an AID coordinator that says, "CARE, you are working on one thing; Salvation Army, you are working on another, Catholic Relief; you are working on the other: And to make sure we are not all stumbling over saying, "I will get that burrough; I will get that village."

I have been to places in the world where I saw intense competition from the private volunteer agencies where they were kind of fighting over the poor, and it is dismal. It is a dismal observation.

Mr. McPHERSON. I think sometimes that does occur.

Senator MIKULSKI. It is occurring in Haiti.

Mr. McPHERSON. We have a health officer in charge of our health programs for a country, and we divide the country into various geographical sectors and subsectors. Our aim is to have groups concentrate in particular areas.

Haiti has a total of 700 churches and private voluntary organizations operating there.

Senator INOUYE. Seven hundred?

Mr. McPHERSON. It is an interesting fact of history that Haiti has been so close to us geographically and is so desperately poor. I remember all the stories that my little Methodist Church out there in Vergennes township in Michigan heard 20 years ago, that led the church to send some money to a mission in Haiti.

We have used the private voluntary organizations, many of them local, as principal implementers for health, for our private organization program. We have gotten, I think, 800 private organizations in Haiti in the last couple of years.

Senator MIKULSKI. Mr. McPherson, then what does your AID officer do? You have got agencies; you have essentially adopted a village or adopted a church and neighbor-helping-neighbor, goals we like to encourage.

I think we really give a wonderful image of our country of unselfishness, but then how do we make sure it works for Haiti, and how do we make sure it works for the American taxpayer?

Mr. McPHERSON. We have to work with a number of these groups to sort out the overlapping by using our money in ways that reinforce geographical concentration.

MANAGEMENT MECHANISM

Senator MIKULSKI. What is your management mechanism to ensure maximum coordination, maximum communication and maximum cooperation?

Mr. McPHERSON. The key thing is to have staff out there, Americans and Haitians.

Senator MIKULSKI. But do you, and do you have a point person?

Mr. McPHERSON. Yes, we certainly do. I don't know the name of the health person in Haiti and there are several Haitians who are working with us on our health program there.

A key point you make is that we are one of the few donors that has a large field force. You can't do this aspect of the work here in Washington.

Senator MIKULSKI. Agreed. You see, I am a big believer in a field coordinator who goes out——

Mr. MCPHERSON. We have a field coordinator and a field staff.

Senator MIKULSKI. Who goes out and brings out the best of our people and our church groups and so on but at the same time is sweating the details, is making sure people cooperate for maximum service in that country, working with the host country.

Mr. MCPHERSON. It is a little messy and probably always will be. Haiti might be something you want to take a look at personally. It is a little messy because so many of the resources going to Haiti aren't our resources and aren't Hatian Government resources; they are from all over the world, and they all legitimately feel that they want to spend their own money and have their own program.

Senator MIKULSKI. Let's put it this way: You say there are 700 groups and agencies. Mr. Chairman, I just use this as a case example as we look at our budget and so on.

Let's say 600 are churches, neighbor-to-neighbor, and we don't have any real control over that. There are agencies we are actually funding, Salvation Army, CARE, Catholic Relief. Then we are funding private sector, private corporate, not-for-profit corporations to develop nationwide health programs. What do we do to make sure it works together?

Mr. MCPHERSON. We sit down and we work all that out with the groups involved. We are working with the Catholic church and the Methodist church on literacy programs. Churches are a big part of our effort in Haiti.

Senator MIKULSKI. That coordinator is coordinating. Who keeps an eye on that field coordinator?

Mr. MCPHERSON. I have a Mission Director in Haiti, a long-time career person, who is very competent and who has served in Egypt and other places.

Senator MIKULSKI. Mr. Chairman, I won't prolong the questioning.

Mr. MCPHERSON. Do I understand your question?

Senator MIKULSKI. I come from a field of community development. I would like to—I don't know quite how to say this for the record, but I think the phrase we used in the community was "kick ass", to make sure things actually happened, and that people actually worked together. Wherever two or more bureaucrats are gathered together, they want to talk to somebody else. I really am concerned, then, that there are people out there who are well intentioned but are not necessarily working to make sure that we share the information evenly of what one group is learning in the area. If any country in the world has major health problems, it is Haiti.

Mr. MCPHERSON. I think it would be very interesting for you to actually get down there. We would love to host you.

Senator MIKULSKI. I am using Haiti. It could be Central America. It could be Guatemala. We are going to come in with a whole African program, a whole program, and I am concerned we won't be talking to each other and maximizing what we need to do to help countries.

Mr. McPHERSON. I hope you keep on pushing it.

Senator MIKULSKI. I am pushing you for you to go back and say to your field coordinator and so on, "How do we make sure we are getting the biggest bang for the buck in the host countries?"

Thank you, Mr. Chairman.

Senator INOUYE. Thank you very much, Mr. Administrator.

Mr. McPHERSON. May I say, Senator, that I think this point is a good one, and I appreciate the Senator's interest in this.

This discussion will reinforce my interests that things have to be worked out with other donors. We planted five million trees in Haiti, mostly on farmers land.

Senator MIKULSKI. I am concerned that we have an agency coordinating efforts.

Senator INOUYE. I can fully appreciate Senator Mikulski's concern. You recall when the African famine became the "in" thing of cocktail party discussions. Every network had documentaries, and all organizations, religion and otherwise, started gearing up. There was a mass exodus from the United States to Ethiopia and to other places in the Sahel. A primary result was an uncoordinated mix-up.

As a result, I doubt if 10 percent of the monies contributed by good Americans responding to T.V. programs and 10 percent of those funds contributed by churchgoers who gave offerings ever reached the poor because numerous logistics networks weren't set up.

Now, I am not saying this was your fault; I think Ethiopia had much more to do with it. But we should work to coordinate these famine relief activities and bring some semblance of sanity into an insane bureaucratic mix-up. Then, instead of 10 percent reaching the poor, we might get 50 percent. I think that is what the Senator from Maryland wants.

Senator MIKULSKI. That also brings up another topic, Mr. Chairman, that I am often concerned about, both here in our own country and around the world, and it is something I call compassion chic for want of a better word. Whichever breaks the headline, then we go running off. Whatever is in the headline, we respond to.

The problems are deep, and they are pervasive. Then when the headlines go, often then compassion abandonment or compassion fatigue sets in. There for awhile, the Southeast Asian refugee camps of Thailand were the fad. Then Africa became a fad. We can move on, and then we seem to work around. I am just looking for consistent response to deep problems without the duplication of effort.

Senator INOUYE. Thank you.

Now I will call on my senior partner here, Senator Kasten.

DEVELOPMENT FUND FOR AFRICA LEGISLATION

Senator KASTEN. Thank you, Mr. Chairman. I am sorry that I wasn't able to be here for the beginning of the meeting. Mr. McPherson, I want to compliment you on your request for a special fund for Africa similar to the legislation that Senator Kennedy and I, as well as Senator Inouye and others on this subcommittee, have introduced. I assume you are basically familiar with the legislation that was introduced last week by Senator Kennedy, myself, Senator Simon, and others.

As you know, we have all stated that we are going to try to work to further refine this legislation, so that changes are now in order as we work to refine it. We have appeared before Senator Simon's subcommittee and the authorizing committee last week.

What do you see as deficiencies or suggested changes that you might make in this legislation which you think that we should pay some attention to as we work toward putting together an overall special fund for Africa with the flexibility that I think all of us agree is needed?

Mr. MCPHERSON. I appreciate the fact that you and Senator Kennedy took the lead on this last year through your proposed legislation, and we continue to support it.

The aspect of past legislation that I wish could be worked over further is the 30 percent earmark for population, for health, and for the environment. I would prefer that there weren't earmarks, but that you could take a statement of my intention to work toward those ends as a sufficient guarantee.

At this juncture we propose roughly $50 million or 50 percent of the fund for population programs in Africa next year. That is about what the Wolpe bill earmarks at 10 percent. We propose about $50 million as well for health, whereas the Wolpe bill earmarks $10 million. Frankly, depending on how you define environment, we probably would be doing about 10 percent in that area under our current proposals.

As far as I am concerned, I have an absolute commitment to you and to Congress to make those health goals and I feel confident we can work out the environmental number also. If we end up with earmarks, then I know that the university community, for example, will propose that they receive some of that money.

I know you and this committee have been very helpful to me in concrete ways that we really appreciate. Your bill gives us more flexibility than Congressman Wolpe's on those issues.

Senator KASTEN. I agree with you. As you know, we are involved, right now, in negotiations on this whole earmarking question, and there are some differences. The 30 percent was, in effect a compromise.

Mr. MCPHERSON. Exactly.

Senator KASTEN. I am hopeful that we can still wrestle with this, with this whole concept. I look forward to working with you.

CASH TRANSFER TO EGYPT

On another subject, you have only recently released the $115 million cash transfer which is earmarked in last year's legislation for Egypt. As you know, Egypt is a country in significant economic difficulty. They can utilize not only the $115 million cash transfer, but they can also utilize additional transfers, and those additional transfers could be made in accordance with the authority we gave them in our Appropriations Committee legislation last year.

Do you anticipate using this authority in providing additional cash transfers to Egypt, and if so, how much do you think would be appropriated?

Mr. McPherson. This $115 million cash transfer was made after the Egyptians stated that they wished to proceed with certain economic reforms and was based upon their commitment to do so.

As you know, the legislation calls for us "to take into consideration" economic reforms before we disburse.

It would be my intention to look at the implementation of these reforms before agreeing to further cash disbursements.

It makes sense to look at implementation, because there are cash needs, particularly in terms of hard currency which will increase as the Egyptians implement their reforms.

Senator Kasten. We are not going to necessarily perform a carrot and a stick act here, but what you are saying is that you released—I don't want to put words in your mouth—but the $115 million was earmarked. That legislation was without any conditions; it was simply to be released as a $115 million cash transfer; that was in the law.

That has been released, finally, and it is a little late, but the legislation says that you may also provide additional cash transfers. What you are saying is that in accordance, I guess what you are saying, is that you released the $115 million only after you had been assured that certain economic reforms were taking place, and now you are going to look to see, as those reforms develop, it seems to me that we ought to work together to use some of the authority for the additional cash transfers, as well, and I hope that they will be able to reach the economic reform goals that they are discussing with you.

But it is also important, I think, to recognize that the $115 million wasn't to be attached to anything; that was simply going to be a cash transfer and that it ought not to be associated with any economic reforms. We are all for economic reform, but we are also trying to help significant problems, significant economic problems that they have gotten into.

We look forward to working with you, and I hope very much that we can move forward, in addition to cash transfers to Egypt.

Mr. McPherson. You have just made a critical point. If they can move in the next couple of years to make the reforms that they need, then we may seek further cash transfers.

I thank you for your comment.

TROPICAL RAIN FORESTS

Senator KASTEN. Can we switch topics to the environment? Tropical rain forests are being lost at the rate of 50 acres per month today. This problem not only affects directly impacted areas, but also the surrounding regions: Soil is lost; water quality deteriorates; productivity is decreased; people are impoverished; the chances for long-term economic development are adversely affected.

Today, we are beginning to find that even the global environment may be disrupted. What programs does AID have underway, aside from serving as the watchdog of the MDBs, to protect tropical rain forests? As you know, we have, for the last several years in this subcommittee, been working hard through the Secretary of the Treasury, who supports our efforts, at trying to get some meaningful reforms in the Multilateral Development Banks in terms of taking into consideration just basic environmental guidelines.

What programs does AID have, aside from these programs, that we are working through the MDBs with to protect tropical rain forests and the environment?

Mr. MCPHERSON. Let me say, first, that we appreciated the fact that you have provided a great deal of personal leadership and interest in this whole environmental area. I know both you and Senator Inouye have been deeply involved and deeply interested. The MDB program, I think, is really having an impact, by the way, and is widely appreciated in the environmental community.

We have a total of about $500 million of Life of Project funding in tropical forestry work. Now, that covers everything from northern India, where we have a social forestry project, to various parts of Latin America. It is a major effort, and we agree with you that forestry is a very important matter.

Senator KASTEN. What progress has AID made toward creating a cooperative early warning system on environmental issues with other donor nations? The Foreign Operations legislation last year provided that AID will develop a system to identify projects with potential adverse and environmental impacts. That system was to be designed to identify those projects early in the process, and they can be modified to protect the environment, or, in certain cases, it could be stopped.

What progress have you made toward implementing this cooperative early warning system?

Mr. MCPHERSON. Of course, every one of our projects is reviewed to see whether or not it has an environmental impact, and then adjustments are made to alleviate any negative effects.

We have proceeded with this MDB early warning program that you have just described and were commenting on, and no expense will be spared in seeing it through. We have also a Development Assistance Committee, so-called DAC, in Paris that has stressed that we need to, as donors, work together to prevent any adverse impact on the environment from our efforts.

My 6 years of experience with DAC and working with those donors shows that things don't happen quickly. But we believe that this is an important issue, and I think, in time, particularly under a broad MDB umbrella, we are likely to make progress.

Senator KASTEN. I look forward to working with you on that.

Thank you, Mr. Chairman.

Senator INOUYE. My other senior partner, Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman.

Mr. Chairman, because of the way time has gone, I won't take my full 10 minutes, but instead, put the questions in the record.

I did want to note a couple of things. One, I have a great deal of admiration for the job the Administrator does. Foreign aid is not the most popular thing to come up and ask money for. So I don't envy anybody who has to come up and do that.

MICRO ENTERPRISES

But even in my State, or perhaps especially in my State, there is support for foreign aid if it is used to meet the basic needs of health care and food and so on. One of the things I talked about recently back home is a bill that Congressman Feighan has sponsored to require 10 percent of economic support funds be converted to local currency loans for small-scale private enterprise. Now, I understand AID has concern about that, the $400 million and the earmarking and so on, even though AID has funded micro enterprise in the past.

I know your staff has been working with mine to see if there is a way that we can fund these micro enterprises for, really, the poorest of people. Do you agree that there is a need for increased funding for small loans in local currencies to support private enterprise among the poorest people?

Mr. MCPHERSON. I think so. I think that how it is structured and the earmarks that are included are important issues, but frankly, there is no way we can get jobs for people in these countries short of the kind of informal sector that micro enterprise activity is a part of.

We have got to do what we can in that regard. Sometimes it a matter of direct support, such as loans, training and that kind of thing. I am for this, and I think we are doing a good job working with Congressmen Gilman and Feighan and your staff and others in developing some ideas, and I am confident that something will come out of it in the next few weeks.

In combination with specific projects, economic reforms in Costa Rica, for example, have led to a devaluation of the currency. Costa Rica has had a 15 percent a year decrease over the last three years in nontraditional exports outside the region, and a lot of those are exports from small enterprises. Excuse me. I didn't mean to give you such a long answer.

Senator LEAHY. I appreciate that, and I am going to have a series of questions to follow up on that, because I am interested in seeing it work. I don't want to just throw on money for the sake of throwing on money. I want it to really get to the people who are most in need, and we are dealing with something that is imprecise at best, and it will vary from place-to-place, country-to-country and sometimes region-to-region within a country.

USE OF PESTICIDES

Another area that concerns me is the pesticide EBB. It has been banned for use here in the United States. It is a proven carcinogen, but P.L. 480 funds are used in Central America to support a pest control program called moscamed.

Mr. McPHERSON. Is this the Med fly issue?

Senator LEAHY. Yes, and EBB is used in that program. Now AID is being asked to fund a further one caused using one called capmed.

What is AID's position on using a pesticide which is banned here in the United States for our programs in other countries?

Mr. McPHERSON. Our position at this juncture is that we should not be using that insecticide for the Med fly.

If there is any change in that position or any factors that come up to influence our policy before we make the decision, we would be happy to talk to you about it.

Senator LEAHY. Would you have whoever, and I really I am talking about this particular thing, but would you have whoever in your department is involved mostly with that be in touch with Jim Cubie of the committee staff, I am concerned about this issue because I wear another hat as the Chairman of the Agriculture Committee. We are also looking at this issue in Biafra.

Mr. McPHERSON. We would be happy to.

Senator LEAHY. Lastly, Mr. Chairman, you told me of your Irish fueds last year at this time, so I want to wish you a happy St. Patrick's Day, and want you to know that in connection with this, to celebrate the day, I have brought one of my interns from our office here, David Ireland. You can't do any better than to have a name like that. If you look over there, I think you can tell which one is David Ireland. I'm sorry to embarrass you, David. [Laughter.]

Mr. McPHERSON. Stand up. [Laughter.]

Senator LEAHY. That is enough. So it is a great day, Peter, except for one thing. Somebody keeps sending these green bagels. [Laughter.]

Senator LEAHY. Thank you, Mr. Chairman.

Senator INOUYE. Thank you. I will call upon the Irishman of the committee, Senator DeConcini. [Laughter.]

Senator DECONCINI. Thank you, Mr. Chairman. We Italians, as you can tell from my colleague, Senator Leahy, we like to get into the act, too.

FUNDING FOR ESPERANCA

Mr. McPherson, I would like to applaud your cooperation with the Office of American Schools and Hospitals abroad. Each year, as I look at your budget and see what you have accomplished around the world, I am indeed impressed by what this program does and this organization is funded out of this program, Esperanca epitomizes America's commitment to altruism and ethnic and human rights. I understand they will be expanding their agenda to Africa, and my only comment is, do you or David Santos, have you encouraged the expansion or was it self-initiated on their part? I haven't had a chance to ask them that question.

Mr. McPherson. To be honest, I don't know, Senator.

Senator DeConcini. If you can let me see, I am serious.

Mr. McPherson. It is our intention to support them in this fiscal year at the same level as last year. I haven't made the final allocations, but it may have been in the range of a couple hundred thousand dollars.

Senator DeConcini. It is a relatively small program, but it certainly is an impressive one.

[The information follows:]

Esperanca Begins A Medical Program in Africa

Last August, Esperanca started a medical services and education program in the African country of Guinea-Bissau. Esperanca did this on its own initiative and with the knowledge and encouragement of the Agency for International Development [A.I.D.]. Depending on its progress, Esperanca may request A.I.D. assistance to expand this program next fiscal year. The program in Guinea-Bissau is modeled upon the primary and community health program which Esperanca has successfully operated for many years in the Amazon river valley of Brazil. The two areas share the same language and many of the conditions and needs are similar, making it easier for Esperanca to adapt its experiences in Brazil to meet the needs of Guinea-Bissau. We applaud Esperanca's initiative and use of private resources to launch a health improvement program in Guinea-Bissau.

DIVERSION OF FUNDS IN LIBERIA

Senator DeConcini. I am concerned, Mr. McPherson, last year at these hearings, I raised some questions regarding a possible misappropriation of U.S. assistance funds.

We have, obviously, seen the consequences of Mr. Marcos and Mr. Duvalier on their respective countries' economic situation and the bank accounts and the lawsuits and what have you.

I asked specific questions about Kenya and Haiti, Samolia and Liberia. The situation in a few of these countries does not seem to have improved. I would hope you might comment on the situation in Liberia, where you, I believe, sent 17 AID personnel to perform the shadow economic cabinet role in assisting the government there. Are reports accurate which say close to $50 million is unaccountable for?

Mr. McPherson. There have been a series of problems in Liberia. The monies that are in question involve local currencies generated by P.L. 480 resources. In other words, when the food is sold under our rules, the proceeds should be deposited in a separate account.

It is our understanding that those monies have been spent; at least we have no reason to doubt that those local currencies have been spent on normal government functions.

But at this hour, $6.5 million have not been deposited in the separate account over which AID and the Liberian government have joint control.

We are insisting that the Liberian Government deposit that last $6.5 million. That is somewhat in question.

Senator DECONCINI. It is not $50 million?

Mr. MCPHERSON. No, not at this juncture. We have worked with the auditors and it is $6.5 million. We feel strongly that this money must be deposited. This has been a problem in some other countries, but we will get that $6.5 million in Liberia.

Senator DECONCINI. You are. How long has this been going on trying to get them to do so?

Mr. MCPHERSON. There was more that wasn't deposited in the separate account. We have gotten other money that had not been deposited previously.

Senator DECONCINI. Can you supply us with how much was short and how much you have gotten in besides the $6.5 issue?

Mr. MCPHERSON. Sure. We have a pretty good source.

Senator DECONCINI. Just out of curiosity, what period of time that has taken, and when do you anticipate the $6.5 million being deposited?

Mr. MCPHERSON. The last bit of money may be more difficult to get than the previous amount.

Senator DECONCINI. Yes. I realize you can't make a judgment for the government there.

Mr. MCPHERSON. Let me go into the $17 million, Senator. There is something very interesting. Liberia has many problems. The government really had their own revolution in 1980.

Liberia had been controlled by the descendants of former slaves. The mass of the people of the country had really been excluded from governing, and in 1980 this new group came to power. They are still learning how to run a government.

We haven't been satisfied with a number of things. Part of it was they didn't have experienced people, and they didn't have the institutions, which resulted in lots of problems. In that light, we held back the disbursement of $10 million of ESF last year.

Senator DECONCINI. To the government?

Mr. MCPHERSON. To the government. There is some question as to how much of that money will ever be disbursed, because there are not the kinds of plans and programs that we think were necessary.

Nevertheless, the United States has some important interests in that country, and those interests need to be addressed.

To that end, Secretary Shultz and I went to Liberia a few weeks ago. We spent some time with President Doe who said to us, "I would like to explore with you the idea of getting some more expertise in here to help me." So I went back to Liberia following the Shultz trip and sat down with President Doe for hours.

Essentially, President Doe said to me, "I need to be able to make my decisions with more information. I need more expertise to help me. I want to get this done, but I need this help."

So we agreed to, first, bring in some computer help. If you are working with records that are 6 months or a year behind you can imagine the difficulties there are.

We agreed to provide financial help, administer finances and other problems. It won't be complicated. A personal computer would help a great deal.

Second, we agreed to bring in 17 people that would be placed in key ministries. These would be Americans paid for by us. They won't be AID employees. They will be contract employees.

Senator DECONCINI. Contract.

Mr. MCPHERSON. I have now arranged—I can't announce his name yet—for one of my most senior AID people who was about to retire, a 55-year-old person, who has done an excellent job in previous positions. I know him personally very well, you all know who he is, but I haven't got him quite signed on with all the final details. But I think I am going to get this guy to go out and to head this effort. He will be the deputy finance minister. He has done an excellent job throughout his career.

This is something the French have done lots of times. We have not done it, at least not since I have been Administrator.

Senator DECONCINI. Excuse me, Mr. McPherson. In the course of those discussions with Mr. Doe that you are going to provide this on a contractor basis, is it our policy, even though you are not sending AID personnel, to lay the conditions on human rights and election difficulties and some of the horrendous reports that have come out of that country?

Mr. MCPHERSON. Secretary Shultz and I have talked about these matters with President Doe and it is our intention to do so.

Senator DECONCINI. How much is this program going to cost, this computer and the 17 people?

Mr. MCPHERSON. It will cost several million dollars over a period of years.

[The information follows:]

PUBLIC LAW 480 DEFICIENCIES

The audit reiterated several items which had already been identified as problem areas by the A.I.D. Mission in Somalia and for which corrective action had been initiated. All but two of the recommendations were closed within a few weeks after the report was issued since they covered items the Mission was already working to correct. The remaining two items should be resolved shortly. Specific actions taken include:

—First, we have reduced our fiscal year 1987 program level by about half to $10 million in recognition that Somalia's own production has been increasing in response to liberalized agricultural policies.

—Second, while reliable data were not available in previous years to make a clear estimate of the food deficit, the data now available are better. The A.I.D. Mission is working in close coordination with the early warning system now in place and is also collecting information on commercial imports so that we can monitor food production and availability more accurately and thus do a better job of assessing the potential disincentives of Public Law 480 imports.

—Third, the A.I.D. Mission is taking steps to ensure that food deliveries do not coincide with the peak harvest months of August and September, and also is considering shipping some non-food items instead, such as cotton. However, it is important to remember that once the title I agreement has been signed, the Government of Somalia, not A.I.D., is responsible for placing orders and arranging shipping. While A.I.D. does not control arrival dates, we have urged the government to place orders early. Under title II, A.I.D. places the orders and arranges shipping. These orders now are placed late in the fiscal year for November-December arrivals.

On other areas mentioned in the audit, the A.I.D. Mission is working to exclude the government marketing corporation from the auction process and will include in future agreements a clause stating that auction procedures cannot be altered after bids are initiated. The Mission also is working on resolving outstanding recommendations to obtain prompt Somalia Government opening of letters of credit and to collect about $127,000 in Somali shillings for deposit into a special account.

In short, while there have been problems, we believe we have been on top of them and have made considerable progress in improving the management of the program.

PUBLIC LAW 480 PROGRAMS IN SOMALIA

Senator DECONCINI. Let me ask another question regarding Somalia. I would like your opinion regarding the Inspector General's report on P.L. 480 programs to correct deficiencies in the program in Somalia?

Mr. MCPHERSON. I would like to provide the detailed response to you for the record. But for the record, there has been a massive refugee situation in that country for several years. In our judgment, the U.N. and others have provided substantial food. In our judgement, there were a number of problems, and I would like to lay out to you the steps we will take to correct any problems.

Senator DECONCINI. Would you do that, please?

Mr. MCPHERSON. Yes.

[The information follows:]

GAO REPORT ON LIBERIA

The GAO has reported that there was a shortfall of $16.5 million in Public Law 480 Title I counterpart funds from the fiscal years 1982–84 programs and that there have been "difficulties in accounting for and reporting on over $50 million in counterpart funds" from the ESF programs in the early 1980's. With regard to each of those points:

—A shortfall of $16.5 million in deposits to the special account of Public Law 480 Title I counterpart funds from fiscal years 1982–84 programs was documented 2 years ago as the result of an A.I.D. audit specifically requested by the A.I.D. Mission in Liberia due to its concerns about the public Law 480 program. The Government of Liberia [GOL] subsequently accounted for $6.3 million and agreed to repay the balance. Although deposits are behind schedule, all but $3.9 million has since been repaid.

—There were difficulties in accounting for and reporting on ESF counterpart funds in the early 1980's. However, by mid-1985, the entire $80 million in counterpart funds generated by the 1980–84 ESF programs had been reconciled by A.I.D. and the GOL.

As the GAO has noted, we have continually revised and tightened controls over economic and food assistance funds. A.I.D. audits, regularly scheduled project evaluations, and constant monitoring of programs by A.I.D. Mission personnel have been responsible for surfacing problems and have resulted in changes in program composition and improved accounting procedures. This is an ongoing process.

ASSISTANCE TO HAITI

Senator DECONCINI. Fine, thank you. Last, Mr. Director, the regime in Haiti and its Economic Minister, I am told, is quite responsible and credible there, and we are happy to work with him.

Mr. MCPHERSON. We certainly are. The young man came from the World Bank. I am very impressed with him.

Senator DECONCINI. What if he should be replaced or quit? Maybe you went into this in the opening statement. I don't want to replough the ground. What if he should quit or be replaced? What do we have, anything else that we can do there, or do we have to have a chat with the team as you are doing in Liberia?

Mr. MCPHERSON. Our preference, of course, is to have the finance minister that we have got in Haiti.

Senator DECONCINI. Are you confident that he is going to be able to maintain?

Mr. MCPHERSON. I have no reason to believe he isn't. In fact, he has shown himself to be quite adroit, really. He was basically a technician and he has shown himself to be able to work with the media and other things down there reasonably well.

Senator DECONCINI. What is the extent of our program there?

Mr. MCPHERSON. This year, we have about $100 million in total. Next year, it is about $94 million. The drop results in part, because of a number of other donors who have now come in; although we felt that we needed to hurry up and put a lot of resources there to encourage the new government. But as the situation matures, we think we can do some other things without such large assistance levels.

Senator DECONCINI. Thank you, Mr. Chairman. I have another question I will submit, if you could answer, on the Self Sufficiency Act, a question regarding Africa. Mr. Director, if you would be kind enough to answer those, that would be fine.

Mr. MCPHERSON. Yes.

Senator DECONCINI. Thank you.

Senator INOUYE. Thank you very much, Senator DeConcini.

FUNDING NEW STARTS IN FISCAL YEAR 1988

I have a few additional questions and remarks I would like to make. You began your formal statement by speaking of overall fiscal constraints and the problems we have had in confronting the Gramm-Rudman law. However, in analyzing your requests and studying it, we have come across about $750 million in new programs and new projects, in other words, new starts.

How do you justify this in light of the fiscal constraints?

Mr. MCPHERSON. I think that the world is a rapidly changing place, and in order to do the fundamental thing that the agency is charged with, we need to keep on adapting our programs to meet these goals.

But one of the advantages, I suppose, to my being there as long as I have is that there is continuity. Even if there are new starts, in most cases, they are a continuation of the thrust of programs previously begun.

Senator INOUYE. How would it affect the mission of your agency or, shall I say, the mandate of the agency if we reduced the new starts by half or even eliminated them?

Mr. MCPHERSON. I think it would make us a sterile, unresponsive institution, I really do.

I think that innovation and change are important. I would much rather keep alive and keep moving.

One of the things that I do think is important, and the Senator from Maryland here a moment ago emphasized this, is that you have got to stay with it; you have to stick to things.

But I think that new starts don't necessarily mean we are not sticking to things. If the committee was to emphasize "stay with things that you do, don't change or alter what you are doing" in some way, then I would like to talk to you about that. The new Mission Directors have got a new policy. I am very proud of this. I don't know if I have told anybody here about this recently. Historically, new Mission Directors always wanted to go and change things. "We are brand new, and we have got new and better ideas."

I have had a policy for sometime that in various ways, has restricted that. Now I am providing new Mission Directors with a letter that says their basic goals are A, B and C, and then I say to them, "three months after you are out there, you have got to communicate back to us in Washington what, if any, changes you would make."

What I want to do is hold people's feet to the fire.

Senator INOUYE. May we have a copy of your directive?

Mr. MCPHERSON. Sure. Let me get it together.

[The information follows:]

Dear Mr. Chairman:

Enclosed are the two recent documents you expressed interest in. The first is the model of a letter I will be sending to all new A.I.D. mission directors which sets forth what he or she will be held accountable for in his/her new position. Each letter will be tailored to fit the circumstances of the particular country and A.I.D. program.

The second document is an October 30, 1986 memorandum that requires that a new mission director justify to me any major shift he/she might propose to make in the A.I.D. program in his/her country. The purpose of this memorandum is to discourage the tendency for new mission directors to remake an A.I.D. strategy in his/her own image and to reinforce continuity in major mission programs and initiatives. I should stress, however, that what I call "change for the sake of change" is more the exception than the rule.

Sincerely,

Pete

M. Peter McPherson

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

THE ADMINISTRATOR

February 19, 1987

MEMORANDUM FOR: AA/AFR, M. Edelman
AA/ANE, C. Greenleaf
AA/LAC, D. Ink
AA/FVA, J. Bloch

SUBJECT: Administrator's Charge to New Mission Directors

For some time I have felt we should provide each new Mission Director with a letter which sets forth what he/she will be held accountable for in his new responsibility. This letter would also make clear to the new Director the multiple roles he/she must play to effectively manage the Mission and the country program. Finally such a letter would provide the Mission Director with support in dealing with the Ambassador and could be used to help the Ambassador understand the Mission Director's responsibilities to AID/Washington.

Attached is a model letter drafted with your assistance and the assistance of Bob Halligan. Henceforth, I want to use this as the basis for letters the regional bureaus will draft for my signature for each new Mission Director and AID Representative. Each letter, of course, will need to be tailored to fit the circumstances of the particular country and AID program. These letters normally should be unclassified but I will respect your judgement on this matter. A letter from me should be in the hands of a new Mission Director prior to his/her arrival at post.

M. Peter McPherson

cc: PM, Halligan
ES, Meyer

DRAFT

Administrator's Letter to New AID Mission Directors

Dear :

On the assumption of your new duties as AID Mission Director (Representative) in ________ I would like to review our objectives for that country and the responsibilities I expect you to exercise during your tenure.

AID's fundamental program objectives in ________ are carefully articulated and justified in the Country Development Strategy Statement (CDSS)* which has been reviewed and approved by AID/Washington and in Action Plans which further articulate that strategy. These principal objectives for ________ are:

1.

2.

3.

These objectives should remain valid until such time as the underlying conditions which prompted them change significantly.

I am particularly interested in __________ [add country specific concerns, e.g. expanding the pace of macro-economic reform, further developing our nascent private sector program, etc.]

The AID program in ______ is essential to the achievement of our overall objectives in [Africa]. In managing the AID program you should be fully cognizant of and sensitive to the relationship between the objectives and impact of the AID program and our government's broader foreign policy objectives in [country], and I expect you to contribute to the formulation of those broader objectives.

[Country-specific paragraph elaborating on opportunities for and importance of achievement of objectives, example follows.]

"Liberia's historical ties to the United States have contributed to a special relationship between the GOL and the USG, as well as Liberians and Americans in general. The AID mission has special responsibilities as the largest bilateral donor in Liberia and the mission has on unusual opportunity to influence GOL decision making an economic issues which extend far beyond the AID program portfolio."

*Modify as necessary for countries which do not submit CDSSs.

You should keep the Ambassador (and his staff, as appropriate) properly informed about the AID program, strategy options and politically sensitive issues. Coordination of AID's efforts with the other elements of the country team is also very important.

Central to achievement of our objectives will be the ability of you and your staff to develop successful relationships with senior host government officials, especially the Ministers and their key subordinates. In addition, you should pursue opportunities to develop and maintain good contacts with the private sector as part of AID's efforts to encourage private sector development. Your staff should develop continuing contacts with those parts of the population that are the targeted beneficiaries of the AID program. Your ability to work successfully with [nationality] will depend, to a significant degree, on your willingness to take the time to learn about the culture, social structure, and history of the country and its peoples.

You will serve in ________ as the senior USG development official. As such you will be expected to demonstrate leadership, technical knowledge and political judgment in dealing with development-related matters at the macro and micro-levels and in carrying on policy discussions on a wide variety of development issues with the host government, other donor groups and the private sector. You and your staff should strive to understand the political and social as well as the economic factors which affect the development process in ___. You should carefully articulate Mission development policy in strategy and program documents, give the mission appropriate guidance in the process of project development, and give special attention to timely and effective project implementation and the sustainability of AID project achievements.

Effective management of the AID program will be your fundamental concern. Clearly, you must use our scarce financial and manpower resources efficiently and organize your mission and its personnel appropriately to achieve our objectives.

It is important that you understand the multiple roles a mission director must play, and that you effectively perform those roles. Within the mission this means setting goals and standards and providing the leadership necessary to attain desired program results from your staff. Externally, it means managing a set of diverse constituencies any one of which could, if not properly managed, undercut your program. You should ensure that a system of internal controls is in place to prevent waste, fraud or mismanagement. Your ability to provide leadership, and a sense of vision on program objectives will be critical to developing and maintaining individual and collective staff enthusiasm. However, morale will also be affected by the attention you give to staff development and training and by your efforts to ensure the security of mission staff and their families, effective and equitable administrative support for their residences, and a sense of common purpose and harmony within the "AID community."

As Mission Director, I hold you responsible for the AID program in ____________ and will look to the Assistant Administrator for [region] and his staff to serve as the primary communications link between us. Except for exceptional circumstances, you should channel messages dealing with policy, program and administrative matters to or through him or his staff. I encourage you to share this message with the Ambassador and use it as a basis for developing your EER workplan objectives.

In essence, your job encompasses leadership of people, management and accountability of resources for results, balancing sometimes conflicting pressures, and dealing successfully with ambiguities and uncertainties. This is not an easy undertaking, but the satisfaction from a job well done can be highly rewarding.

You have my full support and my best wishes as you begin your important and challenging assignment.

Sincerely,

M. Peter McPherson

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C [illegible]

THE ADMINISTRATOR

OCT 30 1986

MEMORANDUM

TO: AA/AFR, Mark Edelman
AA/ANE, Charles Greenleaf
AA/LAC, Dwight Ink

SUBJECT: Reinforcing Program Continuity

AID program strategy for each of our recipient countries is carefully described and justified in the CDSS or Small Country Program Strategy Papers. The major elements of the AID strategy should remain valid irrespective of who leads the Mission if the underlying conditions which prompted our strategy have not changed significantly.

I am concerned that, despite the emphasis we have given to program continuity and to implementing approved country strategies, some of our directors, as they take on new assignments, cannot resist the urge to rethink approved country development strategies so as to put his/her stamp on the program. I want this type of change for the sake of change to stop, and I will look to you to see that it does. I leave to your judgment how best to carry this out.

Periodically, I would like a short report from you which explains what, if any, changes are proposed by your new directors in Mission strategy, approach or major initiatives (i.e. Child Survival, Title XII, etc.). This report should reflect new directors' stated intentions after approximately three months at post.

This will be a continuing requirement until further notice.

M. Peter McPherson

Mr. McPherson. When a person signs on as a Mission Director, their job is to not reinvent the wheel; their job is to run a program.

Senator Inouye. I brought this matter up of new starts and new programs, the $750 million, because a few days ago, this subcommittee had a hearing, and we listened to officials of the State Department justify the fiscal year 1988 request for international organizations.

I brought up a rather small item. There is only $219,000; it is not $750 million, it is $219,000, and it was for the U.N. Development Program for Women.

The witness said we have all gone over the whole account and we just couldn't find $219,000. Now I see you have found $750 million. Why can't you find $219,000 for women, a program that even the State Department says has been a great success story?

Women have been involved in agriculture, in production, naturally, in family planning and family care, and yet we cannot find $219,000.

Mr. McPherson. First of all, let me say that I do support the administration's budget here. But my speculation is that under the guidance and good hand of this subcommittee ultimately, $219,000 will probably be found.

Senator Inouye. I am certain you realize that as Director of IDCA, to develop a corporation agency, this little women's agency is under your control.

Mr. McPherson. Yes, Senator.

Senator Inouye. There is a special provision in the law that says, "Thou shalt look after the concerns of women."

Mr. McPherson. That is true, and I believe in the Percy Amendment.

Senator Inouye. So if we can get $1 million from the $750 million and put it for the lady folks of this world, you won't mind, would you?

Mr. McPherson. I have always followed the committee's directions, Senator. I don't mean to be facetious or unresponsive. We do have major budget problems, which you know, as well as I do, but let me talk with my colleagues and get back to you.

[The information follows:]

FUNDING FOR UNITED NATIONS DEVELOPMENT FUND FOR WOMEN [UNIFEM]

Keeping in mind the budgetary implications of providing $219,000 to the United Nations Development Fund for Women, also referred to as UNIFEM, I have instructed my Assistant Administrator for Policy and Program Coordination to meet with Assistant Secretary Keyes. I have requested that both the Agency for International Development [A.I.D.] and the State Department review the budget to determine how we may be able to provide these funds to UNIFEM.

It is important to note that A.I.D. has consistently supported and funded programs that promote the integration of women into their economies, as requested in Section 113 of the FAA. We have a most impressive record in this regard, and we will continue to work toward resolving this budgetary issue for the United Nations Development Fund for Women.

PROJECT SATURATION

Senator Inouye. The other matter, I have received reports from abroad, from officials of recipient countries, and there are some experiencing or suffering from project saturation. I don't know if that is the word, but that is their word, project saturation; that in some countries, you have had so many projects that once part of the mission has been completed, we leave and we leave it up to the recipient country official to run it.

They say, "Look, we don't have the expertise," we don't have the personnel to carry on these projects. We would like to use this money, but sometimes they say the cost of continuing these programs are too much for that country to bear.

Have we looked into that?

Mr. McPherson. We do a lot of thinking about that, sir, on the team. We should be very careful to put into place a project that can be sustained after we leave.

That is one of the reasons why we always ask for local financial participation in whatever we do. We should also, nevertheless, make sure that we stay with something long enough to develop local expertise. For example, we are building a university in Cumrun Agricultural University, a University of Hawaii, University of Maryland kind of institution, and we have got to stay there long enough.

I agreed to extend the project, so it ought to be a 10- to 15-year project. You can't build a university in 5 years. If you go away, it will just die.

Having said that, we think that some missions have been involved in too many areas. The major effort of the Assistant Administrator for Africa, Mark Edleman, over the years has been to narrow the number of projects that we have in each of the African nations. We can't be in everything and do it well, and sustain what we do.

Now, it is true that my folks occasionally say, "McPherson, you have got a new idea every morning." They are always training me that I have got to have fewer ideas, so I am trying. But generally, we are narrowing things down.

$5 MILLION SET ASIDE FOR AGING

Senator Inouye. In the United States, for every 1,000 physicians, less than one has received specialized training in gerontology. That is the dismal situation in the United States. We have just got, literally, a handful of doctors who have been trained to take care of old folks.

The United States prides itself with the number of physicians and the expertise in all of these specialized areas. I can imagine what the situation as a world must be like.

Sensing that, last year, we put in our committee report, if you will recall, a direction to you to set aside $5 million to work with the Institute on Aging and HHS because of this special concern. What have you done with that?

Mr. McPherson. We have had extensive discussions with Dr. Williams.

Senator Inouye. Have you set aside the $5 million?

Mr. McPherson. We haven't set aside $5 million, per se. We have agreed to fund a study, and we are in the process of working out what other studies Dr. Williams thinks would be appropriate and seem like good studies to us.

I don't have $5 million to set aside, per se, for that, but I think that I have underway an effort to really get into this problem. That is the approach I would hope you find acceptable.

Senator Inouye. It is a deep concern of mine, as with the passage of time, I find myself getting close to Medicare. I haven't arrived there yet, but I am getting there, and so the urgency for the old folks becomes a reality. We have, in the U.N. programs and AID programs, programs for children; programs for women; programs for the blind; programs for the lame, but none for the old folks.

I would think the time has come that we do something about the misery of the aged. I hope you will take this very seriously.

Mr. McPherson. I would like to work this out a little bit more with you. Of course, in most developing countries, with the exception of places like Costa Rica where people live almost as long as we do, there simply aren't many old people as we define them. People don't have long life expectancies.

Senator Inouye. I will tell you why: According to reports I have seen, the suicide rates among the elderly outside this country is just unbelievable.

Mr. McPherson. I think that this is a relatively new problem that developing societies are facing, because people are living longer. Life expectancy has gone up about 10 to 15, 20 years, depending on the country, over the last 25 years, because medical care has improved.

It is time for us to look at this in a serious way. I wouldn't be at all surprised if we could find some policy-oriented activity that can have a real impact and that doesn't involve huge amounts of resources.

Senator Inouye. Can you send us a special report on what you have done for the elderly and what you propose to do?

Mr. McPherson. I would be happy to. The report won't be long at this juncture, but I am exploring the issue.

Senator Inouye. I appreciate that.

[The information follows:]

Elderly and Aging

In September 1985, A.I.D. issued a report prepared by the American Association for International Aging, entitled "Aging Populations in Developing Nations." In addition, A.I.D. is currently supporting several activities that are directly responsive to congressional interest in aging, including:

—a study on aging in Jamaica, in collaboration with the Pan American Health Organization and the University of the West Indies.

—a research study to look at the impact of contraceptive use on osteoporosis.

In response to the Senate Appropriations Committee's specific interest in closer coordination between A.I.D. and the National Institute on Aging [NIA], we have taken the following actions:

—On December 31, 1986, Dr. Nyle C. Brady, Senior Assistant Administrator for Science and Technology, and his staff met with Dr. Frank Williams, Director of NIA, to discuss aging in developing countries. A.I.D. and NIA have exchanged a variety of materials on our two programs.

—In response to a February 10, 1987 request from NIA, A.I.D. has agreed to fund work by the Census Bureau to compile basic information on aging in a number of developing countries. We see this data collection effort as the first step in the development of a long-term research agenda on the situation of the elderly in less developed countries. A.I.D. and Census Bureau staff met on March 11, 1987 to finalize the scope of work for this important activity.

—A.I.D. staff is currently reviewing a memorandum prepared by NIA on areas for possible long-term collaboration. A.I.D. and NIA will be meeting on April 24, 1987 to review research options and discuss priority topics for collaborative research.

—We have invited an expert on aging to work with us over the summer to explore opportunities for additional inquiry land/or programming, including study of broader policy issues affecting the elderly, e.g., pensions, job creation, tax reform, housing, and agricultural productivity.

—We intend to prepare a written report on A.I.D.'s work on aging—planning or under way—at the end of the summer.

Senator INOUYE. Senator Mikulski, do you have any other questions?

Senator MIKULSKI. Yes, Mr. Chairman, just a few, and I ask your able staff to keep the time.

HUMAN RIGHTS IN LIBERIA

How much are those computers going to cost in Liberia?

Mr. MCPHERSON. Between the computers and the staff, that will be there for at least a couple of years, the total will be several million dollars. That is only an estimate, but I will be happy to get more exact figures for you.

Senator MIKULSKI. The only reason I ask that is to pick up on the questioning of the Chairman related to the women's programs, which is a rather sparse sum now of $269,000. Here, we are going to put $7 million.

Mr. MCPHERSON. Several million.

Senator MIKULSKI. Several million in a dictatorial regime, and one of the reasons we have to do it is because of gross human rights violations, they have wiped out the intellectual infrastructure, the civil servant class, those who could have done a lot of this themselves. I find it just really hard to reconcile why I have got to give dictatorial money for his computers and then provide him the wherewithal with his country when he helped wipe it out.

Then we get into some of these humanitarian concerns, and there is not money there.

Mr. MCPHERSON. Senator, I am anxious to give to you in more detail all that we do with women in developed programs. We have got a good record here, an exciting record. I support these efforts. We talked a little bit about this in your office.

Senator MIKULSKI. I know, but I am talking about an attitude, and so is the chairman. We have got a $5 billion program here. The U.N. bar bill is probably more than what the women's program is. It is an attitude that when you are talking about a budget interest, the first to get wiped out is this $269,000 for women. That is what we are talking about.

This is not to harass you or lecture you or whatever. It is just that the woman gets hit first, and then you see we are going to prop up Doe with our dough. It is just very hard to reconcile those issues, Yes, I would welcome that.

Mr. McPHERSON. Good. Good.

AIDS FUNDING

Senator MIKULSKI. However, there is another issue. In looking at the 32 pages of your budget justification, one of the global problems we are facing in the area of health is AIDS. It is a global epidemic of proportions and magnitude that I don't think we fully have grasped.

I couldn't find anything in any of your health program or other activities that raises the issue of AIDS and any steps we were taking, either cooperation with the World Health Organization or whatever, to help countries and, in that process, help ourselves to deal with this crisis.

Mr. McPHERSON. I agree with your description that AIDS is a global problem.

Senator MIKULSKI. Are you doing anything on AIDS?

Mr. McPHERSON. Yes, Senator. I agree with your description of the problem. I think in some parts of the world, the time will come when, not very far off, when it will be a total catastrophe. Last year, we provided $2 million to WHO as part of their request for assistance. I think in the end that we were the largest bilateral donor.

While I haven't announced a number, I expect to announce in the next several days a further contribution to WHO that would be substantially more than last year. We will come up with the money by reprogramming health funds and some family planning money, and I will keep you informed.

I think your interest on this issue is important.

Senator MIKULSKI. I think it is. We will soon reach a point where it is terrifying, both in our own country and around the world. In meeting with the Ambassador the other day, I asked that same question. I understand WHO has developed a global plan for action.

Mr. McPHERSON. That is correct.

Senator MIKULSKI. Have you had a chance to review it?

Mr. McPHERSON. Yes.

Senator MIKULSKI. Is it a good plan?

Mr. McPHERSON. We think it basically is. We have got some questions, but we were involved in developing this plan.

Senator MIKULSKI. I understand some of the folks from the Centers for Disease Control are up there and helping to put it together.

Mr. McPHERSON. Yes. I talked to Dr. Muhler of WHO a few weeks ago before the plan was underway. I personally have been deeply involved in reviewing what we are going to be doing on AIDS.

We have an agency policy on AIDS.

Senator Mikulski. You have an AIDS agency policy?

Mr. McPherson. Yes.

Senator Mikulski. I have asked the Ambassador to get for me the global plan of action.

Mr. McPherson. Sure.

Senator Mikulski. I would like to see your agency's policy on it. I think that this is something that will be very important.

What are they doing at WHO headquarters in Africa about AIDS? Would you tell me about that?

Mr. McPherson. WHO is a very good organization. It doesn't have a strong field presence in a number of countries. That is one of the issues they have got to work out—how they actually run activities out in Zaire and Zambia or Haiti.

Senator Mikulski. They see their mission as kind of global epidemiologists rather than international public health officers; would that be a way of separating it?

Mr. McPherson. Dr. Muhler might quibble with us a bit, but certainly, many regard them as such, and they are excellent at what they do.

But they don't have public health officer field strength.

Senator Mikulski. So they are not doing too much at headquarters in Africa?

Mr. McPherson. I think they are gearing up, and one of the key issues that we are sorting through is how bilateral donors like ourselves can compliment them.

Senator Mikulski. The Chairman just furnished me an article from the Washington Post, and it talks about how they estimate 50,000 people have died of the disease and two to five million people are carriers of AIDS, and that countries in Africa are beginning their own efforts. Other donor countries like Great Britain are encouraging them to do that. Africa acknowledges that they have an AIDS problem.

Mr. McPherson. Yes, some of them do.

Senator Mikulski. Some more terrifying than others. Uganda, Tanzania and so on. Are we also coordinating with the State Department on this in these countries?

Mr. McPherson. Yes, there is, at the State Department, an interagency committee chaired by State that deals with AIDS issues. The U.S. aid effort in this regard, though coordinated, is basically run by us.

We see WHO as being the umbrella organization. We are working some money through WHO but other monies bilaterally committed within the context of the WHO umbrella.

I think there are some good public policy reasons to have WHO remain the umbrella group. But I see this field strength issue being a bit of a problem.

Senator Mikulski. Are we giving them money, or are we encouraging them to spend it along these lines?

Mr. McPherson. We will be doing both, giving them some more money as we did last year, and having some programs that we do bilaterally.

Senator Mikulski. I am not familiar with how we attach money with strings or can put on it mandates, if you will. If we, say, provide $2 million or whatever the funds are, could we, then, say that it should go to field staff or implementation?

Mr. McPherson. Sure.

Senator Mikulski. I think we would like to see what this global plan of action is; what your policy is. Does the interagency coordinating council also have a policy on what they think we should be doing on AIDS?

Mr. McPherson. I don't know that it does. Its focus has been more on other issues like United States government personnel; those kinds of questions. It has not looked at what other countries should be doing. There is this domestic focus that you read about in the newspaper this morning, and then there is what AID is doing. HHS, of course, is involved and interested, and we have talked to Dr. Kupoff and Dr. Koop's offices.

Senator Mikulski. There is the whole concern that we don't have a clear policy in our own country for how to deal with AIDS. We appreciate your working on this.

Thank you, Mr. Chairman.

Senator Inouye. Thank you very much.

[The information follows:]

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

THE ADMINISTRATOR

March 30, 1987

Dear Senator Mikulski:

In response to your request during the committee hearing on March 17, I am pleased to provide a copy of the World Health Organization program on AIDS and the Agency policy guidance on this devastating disease.

I look forward to discussing our plans for this fiscal year when they have become firm.

Sincerely,

M. Peter McPherson

The Honorable Barbara A. Mikulski
United States Senate
Washington, D.C. 20510

P.S. I expect to put at least $10 million into this effort in FY 87.

A.I.D. POLICY GUIDANCE ON AIDS

I. CONTEXT FOR AGENCY POLICY GUIDANCE ON AIDS

Acquired immune deficiency syndrome [AIDS] is a relatively newly recognized and devastating disease. Our knowledge about the causative agent of the disease, the possibilities for its prevention and control, and the course of the epidemic are changing rapidly. For these reasons and because of sensitivities surrounding the disease, this policy guidance is designed to be flexible. It is based on the situation now and will be revised as changes in technology, knowledge, incidence and sensitivities occur.

Despite these uncertainties, an Agency policy on AIDS is important. The incidence of AIDS cases this year is the result of infection which was transmitted as long as five years ago. It is imperative to tackle the problem now because infections transmitted this year will result in actual AIDS cases five or more years from now.

If the course of the disease results in outbreaks of major proportion in some countries as is predicted by many experts, there will be many serious implications for ongoing A.I.D. programs and for development prospects in those countries. Activities begun now, as outlined in the following policy guidance, should be the groundwork for major efforts later as they become necessary.

A.I.D. support for AIDS activities will depend upon the particular activity and whether it could best be supported by A.I.D. or another domestic or international agency; availability of funding and staff; absorptive capacity in LDCs as well as in donor agencies; political considerations and sensitivities; and available technology and knowledge upon which to base program responses.

At this point development of major bilateral efforts is constrained by political sensitivities in LDCs about the disease; lack of knowledge, expertise and experience in this area; inadequate financial and human resources; and, finally limited absorptive capacity of LDCs. This policy guidance will be reviewed and revised as knowledge and understanding of the disease and its spread are accumulated.

II. BACKGROUND

Acquired Immune Deficiency Syndrome [AIDS] is an epidemic of global concern. There are currently some five to ten million individuals infected worldwide. It is estimated that at least 10-30 percent of infected individuals will develop AIDS within five years, and an unknown percent will develop the disease eventually.

Once frank AIDS develops it is fatal. Worldwide an estimated 50 to 100 million additional people will become infected over the next five years.

Human immunodeficiency virus [HIV], the cause of AIDS, is transmitted by sexual intercourse, through blood or blood products, and from mother to fetus. In the United States to date the epidemic has been confined largely to high risk groups including male homosexuals, intravenous drug users, and hemophiliacs. In Africa and certain Caribbean and South American countries AIDS and HIV infection occur among heterosexually active men and women and in their offspring. In Asia and the Near East, AIDS and HIV infection are still rare, but both the virus and the disease have recently been identified among high risk groups, indicating that the disease may also become epidemic in these areas.

A number of characteristics of the AIDS phenomenon make it a difficult problem with which to deal:

1] its causative agent and its transmission are not completely understood;

2] it is a devastating disease for which there is now no cure or vaccine;

3] its transmission is most frequently related to highly emotional and private behavior, e.g. sexual relations;

4] it has been associated in particular with the U.S. and with certain developing countries, and its origins and spread have been characterized variously for political reasons;

5] it could become a major epidemic of the type we have not seen in this century.

III. POLITICAL AND DEVELOPMENTAL IMPLICATIONS OF AIDS

A. Sensitivities

Transmission of AIDS is predominantly sexual, and to date its incidence is often associated with either homosexual practices or heterosexual prostitution. Prevention of the transmission of HIV infection will depend in large part upon changes in sexual behavior, an aspect of life which is one of the most intimate, sensitive and difficult to change. Educational messages will need to be very culture specific and have political backing within the country. Even so, this behavior will be difficult to change sufficiently to have an effect on transmission of the disease.

Promotion of condom use for AIDS control which is appropriate and effective in the U.S. and other Western countries could be construed by some as an indirect means of imposing population control in countries where family planning can still be somewhat sensitive.

B. Implications for Other A.I.D. Programs

Regardless of how the Agency becomes involved in AIDS programs, the disease has implications for other ongoing A.I.D.-funded programs. For example, AIDS may affect immunization, breastfeeding, and family planning programs. In immunization programs there is the possibility of transmission through unsterile needles, as well as the theoretical potential for activation of AIDS symptoms in already infected individuals by vaccines and the possibility of disseminated infections following the receipt of live vaccines. The possibility of transmission through breastmilk could affect A.I.D.-supported milk bank programs. Increasing numbers of AIDS cases may result in restrictions on international travel and training opportunities.

The implications of AIDS for the Agency's family planning program are several. AIDS prevention activities may have a positive effect on family planning efforts; on the other hand, promotion of condoms for AIDS prevention could create an association between condoms and high risk sexual behavior [including homosexual practices and prostitution]. In addition, in areas where AIDS is widespread, it may become necessary to revise recommendations on use of other forms of contraceptives which do not simultaneously protect against AIDS.

C. Long-term Impact on Development

The long-term impact of AIDS on development is likely to be significant. The cost of dealing with AIDS in many countries will take funds and personnel that are needed for other government programs in health, family planning, education, and other priority areas, and could severely jeopardize the gains made in these sectors. The deaths of significant numbers of the population of productive age [e.g., from 20 to 40 years old] could constrain economic productivity. The disease is already present among the educated elite in a number of countries, and loss of this human resource could severely damage prospects for economic stability and progress. The economic and social impact of AIDS will in all likelihood be significant for individuals, families and countries.

IV. GLOBAL AIDS EFFORTS - THE WORLD HEALTH ORGANIZATION [WHO] GLOBAL AIDS PROGRAMME

WHO has taken the lead in developing and coordinating international AIDS programs. A Special Global Programme for AIDS has been established, reporting directly to the Director General. The proposed budget for this programme for 1987 is about dollars 44 million. A.I.D. played an important catalytic role in encouraging the formation of this programme, and in stimulating funding from other member countries. Financial contributions made by A.I.D. to WHO in FY 1986 were significant because they were the first contributions made to the Worldwide Programme [dollars 1 million] and to the WHO Africa Regional Programme [dollars 1 million]. A.I.D. will continue to support and collaborate actively with the WHO programme.

V. POLICY GUIDELINES

A. A.I.D. SUPPORT MECHANISMS FOR AIDS ACTIVITIES

1. Bilateral Activities

A.I.D. resources for AIDS are limited because of other A.I.D. priorities, such as child survival. Staff resources to deal with AIDS are also limited. A.I.D. Health/Population/ Nutrition and Education staff are already stretched in dealing with existing health, population, nutrition, child survival and human resource programs. AIDS is still a sensitive subject in many countries with political ramifications for bilateral programs.

For these reasons A.I.D. will not mount major bilateral programs aimed specifically at AIDS at this time, although some bilateral activities are appropriate. The types of bilaterally-funded activities which are appropriate are spelled out in the following section outlining Specific Activities Addressing AIDS. Bilateral activities should complement WHO programs and centrally-funded activities. Many activities of interest to missions can be supported through existing or emerging centrally-funded mechanisms.

2. Central Activities

Central projects should complement WHO programs and bilateral health and family planning programs which may include some AIDS activities. Types of central support also will be discussed under the next section of the guidance.

Large centrally funded cooperating agencies [especially through the Office of Population] may be able to carry out some activities addressing AIDS through their existing contracts without incurring significant additional expenses. However, there will undoubtedly be requests for help from these groups from LDCs which will require additional funding. Cooperating agencies should respond to such requests [consistent with the following guidance] if this can be done without jeopardizing other priority activities or without risking a backlash due to LDC sensitivities.

3. Regional Activities

Regional activities should generally follow the guidelines for centrally funded activities.

B. Specific Activities Addressing AIDS

1. Research

Because AIDS is endemic within the U.S., basic biomedical and social science research activities are carried out by DHHS. The epidemic nature of the disease means that the health of U.S. citizens can benefit from international research, including collaborative epidemiologic, serologic, and virologic studies in different settings. As a result, CDC, NIH, and DOD, have undertaken studies in Africa and elsewhere. WHO's programme includes epidemiological research. While U.S. efforts overseas should be undertaken in a coordinated fashion, A.I.D. is not the appropriate agency to coordinate these efforts since they are beyond the scope of U.S. foreign assistance or are being undertaken by WHO.

Biomedical Research

Biomedical research, such as development of vaccines and drugs, is of interest to and can be undertaken by private sector firms and is being undertaken by other parts of the U.S. Government and therefore should not be undertaken by A.I.D.

Epidemiological and Behavioral Research

Both epidemiological research to determine the pattern of infection and disease, and behavioral or anthropological research to determine the implications of changing the behavior which is associated with the transmission of the disease are important.

Epidemiological research is being undertaken by WHO, USG agencies and national researchers. A.I.D. will not undertake research which can be funded by other USG agencies, other donors or WHO.

Where A.I.D. has expertise and experience the Agency could support behavioral or anthropological research into the particular practices and their contexts, in order to provide information on how these practices may be changed. This research may be supported bilaterally or centrally.

Operations Research

Operations research can help determine, for example, under what circumstances an AIDS health communication effort using mass media is feasible; whether family planning workers are effective sources of information about AIDS control; and, whether it is possible to change sexual practices through the media, health worker training and availability of spermicides or other viricidal agents. Operations research can improve our understanding of the circumstances in which existing family planning programs might be constructively linked with prevention of AIDS, or on the other hand might be adversely affected by being linked to an AIDS campaign. A.I.D. has considerable experience in operations research, particularly as part of our population and health programs, and should support these efforts where appropriate bilaterally or centrally. Operations research can also explore the role of public health communications in reducing risk due to other means of transmission.

Economic Research

Because of the serious implications of AIDS for development and especially for A.I.D. programs, A.I.D. will support research on the longer-term development and economic effects of the AIDS epidemic through central or bilateral mechanisms. This includes the potential impact on health budgets, economic productivity, child survival, and other issues.

2. Information Exchange

Many unknowns, uncertainties and sensitivities about AIDS and the speed with which it has spread make sharing and exchange of information between scientists, politicians, and development workers critical. There is a danger of inadvertent as well as deliberate misinformation about AIDS, and steps are being taken through WHO and other channels to correct such information. WHO has the primary role in coordinating and disseminating information and A.I.D. will support WHO in this area.

A.I.D./Washington will provide information to missions on a regular basis so that A.I.D. field staff is fully informed with the latest information on the disease and worldwide activities addressing it.

A.I.D. may join other donors or Agencies in supporting international meetings and we may support participation of LDC representatives, but we will not directly and solely sponsor international meetings or clearing houses on AIDS. A.I.D. may support efforts to compile and disseminate reliable technical information on AIDS.

3. Training

Information, education and training about how to deal with prevention and control of AIDS are very important.

Training can include in-country training in the context of ongoing health and population programs; participant training, including study tours; and, funding for attendance at international meetings on AIDS. Mission or central funds may be used to support study tours or participation in meetings on AIDS. In-country service worker training or retraining should probably be mission funded.

In some cases with very little additional resource input, A.I.D. could become more actively involved in health and family planning worker training on AIDS. A.I.D. centrally funded contractors have already begun and will continue to include AIDS information in training curricula for health and family planning workers.

Information and education about the transmission by skin piercing instruments should be built into training components of A.I.D.-funded immunization programs.

4. Public Health Education

Public health education methods, including social marketing techniques, aimed at preventing transmission of AIDS is critical since there is no cure for the disease at this time. Given the poorly understood nature of AIDS and its potential for misunderstanding, we need to be sure we have the right message[s], and that the media are used sensitively with proper attention to cultural and other factors, particularly in regard to communications dealing with sexual transmission. The WHO Global AIDS Programme includes a component on education for prevention of transmission. A.I.D. will support and collaborate with this WHO activity. Several developing countries have already begun public education campaigns about the risk behaviors which are associated with transmission of the infection. A.I.D. support for education about prevention of sexual transmission will emphasize the importance of sexual abstinence or long term stable relationships. Assistance for education efforts and distribution of prophylactics against transmission will be based on the cultural and religious norms of the countries being assisted.

The U.S. has considerable experience in social marketing of contraceptives and with other health promotion modalities which could be useful in developing campaigns to prevent AIDS. Use of condoms will play a central role, but will not be the only behavioral change indicated. However, behavioral changes to prevent particularly sexual transmission of AIDS differ from those required for other health or family planning behaviors, and we do not yet know which messages about AIDS will be effective in particular situations and with different target groups. Moreover, information and education used in the U.S. about AIDS does not translate easily to developing countries.

Before we become directly involved in free-standing AIDS information, education and communication [IE&C] efforts we need to answer some critical questions through social science and operations research and to ensure that host countries really want our help. Initially, A.I.D. support for IE&C efforts should be approached through operations research projects and through the WHO program. Direct bilateral support for free-standing communications programs for AIDS prevention may be appropriate in the future.

5. Prevention on Sexual Transmission

In addition to support for operations research on public health education aimed at preventing sexual transmission of AIDS, A.I.D. will procure and provide condoms for AIDS prevention programs on request. Condoms will be procured through the existing central procurement mechanism, which is a buy-in project. If there is substantial demand for additional condoms, funding will probably need to come from both bilateral and central sources. A.I.D. may also assist in procurement of condoms for WHO on a reimbursable basis.

6. Prevention of Blood Transmission

Blood screening programs are an important means of preventing transmission of the virus through blood transfusions. The WHO Programme includes support for development of these programs, and WHO has already provided equipment and supplies for such programs to some countries. A.I.D. will support WHO efforts to prevent blood transmission of AIDS. A.I.D. will also fund the purchase of equipment and supplies for blood screening programs on request and where funds are available [and where WHO funding is not available], keeping in mind the recurrent cost implications of blood screening programs, including costs for reagents, and the need for host countries to plan for this continued expense.

The cost of reagents for blood screening may decrease as new, technologically appropriate diagnostic tests become available. If private firms are not interested in developing diagnostic tests for LDC markets, A.I.D. may need to support adaptation of diagnostic tests to make them technologically appropriate for LDCs and may need to facilitate their distribution.

7. Prevention of Perinatal Transmission

WHO will support efforts to reduce perinatal transmission of HIV. This may involve counseling of infected women not to have children and the option of abortion for infected pregnant women. A.I.D.'s priority on child survival makes perinatal transmission a real concern. The need to counsel women and men who wish to become parents about the risks of passing on the infection to their offspring may arise within the context of A.I.D. MCH and family planning programs. However, A.I.D. will not support any involvement in any activities that include abortion.

8. Vaccination Efforts

As previously stated, A.I.D. will not fund vaccine research and development efforts. Due to the sensitivities of setting up vaccine testing sites in LDCs and disputes over data between researchers, A.I.D. should let WHO take the lead in this area.

Should a vaccine become available, A.I.D. will consider supporting procurement of vaccines and immunization materials and the implementation of vaccination programs.

9. Care for AIDS Cases

Under the Agency Health Policy, A.I.D. does not generally support curative health care. In the case of AIDS there are currently no known therapeutic agents for HIV infection.

A.I.D. will support WHO efforts to reduce the impact of HIV infection on individuals, groups and society.

C. Implications for Other A.I.D. Programs

In addition to support for some activities to address AIDS, A.I.D. must be concerned about and monitor the implications of the disease and its prevention and control for other A.I.D. programs. AIDS concerns affecting on-going A.I.D. programs include: immunization, breastfeeding, and family planning activities. A.I.D. missions should monitor these areas closely. A.I.D./Washington will develop further guidance if necessary.

1. Immunization Programs

Although there are no known cases in which the AIDS virus has been transmitted through immunization programs, use of unsterile needles and syringes has been documented to result in transmission. Even if immunization programs do not transmit the virus, it is possible that use of unsterile implements could transmit HIV. Even if this means of transmission is not in fact a viable means of spread, associations may be made between use of unsterile implements in A.I.D.-funded vaccination programs and incidence of disease. For these reasons, caution must be taken to ensure use of sterile equipment. A.I.D. is following the WHO guidance which recommends against use of disposable needles because they cannot be sterilized and are often reused. Use of reusable needles and care about their sterilization is the recommended procedure. All A.I.D.-funded immunization programs should make certain that adequate supplies of reusable needles and syringes are available, that adequate sterilizing equipment is in use, and that upgraded training is provided for health workers to ensure use of sterile implements.

A.I.D. will continue to follow WHO guidelines on immunization of all children and pregnant women in spite of the theoretical potential for activation of AIDS symptoms in already infected individuals by vaccines and the possibility of disseminated infections following the receipt of live vaccines. As long as the threat of immunizable diseases to the health of children in LDCs remains higher than the threat of AIDS, the WHO guidelines will be followed by A.I.D.

2. Breastfeeding Programs

There is no convincing evidence that AIDS has been spread through breastmilk, yet there is the possibility that the virus could be transmitted in this way. It is important that A.I.D. missions be aware of this potential and of the possibility that association could be drawn between confirmed pediatric AIDS cases and participation in milk bank programs. If evidence for this mode of transmission is found, new guidance on promotion of breastfeeding and milk banks will be issued.

3. Family Planning

The family planning community has a number of advantages that can be brought to bear on AIDS prevention. It has a strong PVO infrastructure which is now in place and in large measure eager to undertake AIDS prevention activity. It also has experience reaching the reproductive age group with somewhat similar services. There is also significant commonality between means used to interrupt the transmission of AIDS - including promotion of monogamy, abstinence, condom and spermicide/viricide use - and methods used to space births.

On the negative side, there is legitimate concern that the association of AIDS with condoms could result in a stigma for condoms which family planning organizations have spent years and substantial resources to counteract. Similarly, there is a potential stigma for family planning organizations more generally, particularly if activities are targeted toward high risk groups such as prostitutes or drug users.

Lastly, there is the clear potential dilemma both for individuals and programs regarding condom use versus other effective contraceptive methods. Without clear confidence that a couple is monogamous and that neither partner is infected, there may be a compelling argument for condom use. While condom use and the use of other methods are not mutually exclusive, this may pose a significant operational problem. It is anticipated that most or all of these issues regarding potential effects on family planning will be addressed through operations research.

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SPECIAL PROGRAMME ON AIDS

PROGRESS REPORT NUMBER 1

APRIL 1987

WORLD
HEALTH
ORGANIZATION

Foreword

In the past year, we have witnessed an extraordinary change in public attitude towards AIDS. Similarly, the WHO perspective on AIDS has evolved dramatically.

In May 1986, the World Health Assembly supported an intensification of the AIDS programme within WHO. In late June 1986, the Second Meeting of Participating Parties provided moral and financial support for this new WHO programme. In November 1986, WHO's commitment to global AIDS prevention and control was broadened and clarified.

Immediate action was taken within WHO to reinforce the capability of the AIDS programme. Personnel were seconded from other WHO activities. An intensive reformulation of Programme goals, objectives and needs was undertaken. Programme activity and visibility increased rapidly and on 1 February 1987, the Special Programme on AIDS was established.

This Third Meeting of Participating and Interested Parties provides an opportunity to review the accomplishments of the AIDS Programme during the past ten months, and to discuss future directions for worldwide AIDS prevention and control.

The global strategy for AIDS control is to stop the spread of AIDS worldwide by attacking every mode of transmission, in every country, using every scientific and educational tool available. This daunting task will require an unprecedented level of external support for WHO.

We look forward to this Third Meeting of Participating and Interested Parties, to two days of discussion about the accomplishments, goals, objectives and challenges of the Special Programme on AIDS, and to your continued and vital support for global AIDS prevention and control.

H. Mahler, M.D.
Director-General

Introduction

This report covers an extremely important ten-month period in our confrontation with the human immunodeficiency virus (HIV). During this time, many countries throughout the world have realized that AIDS threatens entire societies, rather than segments of society. This recognition has led to national public education programmes of unprecedented scope and cost, containing messages of unique frankness and clarity.

In addition, many peoples are becoming increasingly aware of the global dimensions of AIDS. Media interest is extremely high regarding AIDS in North, South and Central America, the Caribbean, Asia, Africa, Europe, Australia and the Pacific. The global public is being regularly informed that no country or region of the world can be considered safe or free from HIV infection.

HIV infection has extraordinary and broad effects throughout society. The economic impact results not only from the expense of medical care for AIDS patients (which threatens national health budgets in developed and developing countries) but also from enormous indirect costs: lost years of productive life; lost mothers and fathers; lost members of educated and other groups who contribute importantly to social and economic development. The psychosocial impacts of AIDS extend from personal and family tragedies resulting from HIV infection (often amplified by fear and ignorance) to the stigmatization of groups and entire peoples.

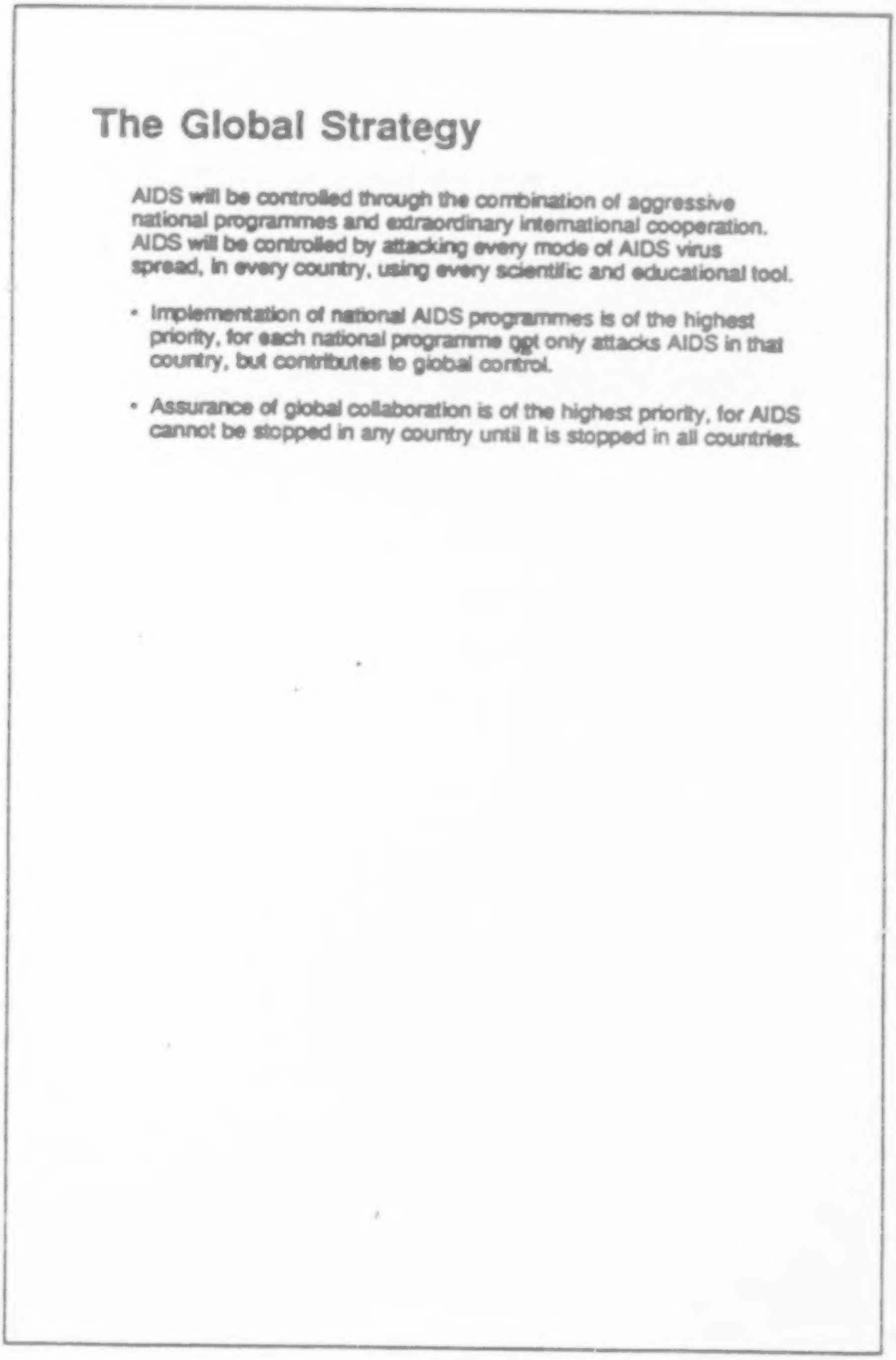
AIDS has altered the social and political, as well as the public health environment. Accordingly, the world of 1987 is very different from that of 1980, when the AIDS virus, spreading silently throughout the world, had yet to be recognized.

The World Health Organization is fully committed to AIDS prevention and control. On 1 February 1987, the Special Programme on AIDS was established to implement a worldwide prevention and control strategy. This progress report describes many of the WHO activities against AIDS undertaken from June 1986 to April 1987. The achievements of this period are a credit to many; the challenges ahead will demand the best of us all.

J. Mann, M.D.
Director
Special Programme on AIDS

Highlights

- **Special Programme on AIDS established 1 February 1987**
- **Extra-budgetary resources (US $5.5 million) received as of 31 March 1987**
- **Global strategy developed; initial assessment and national plan guidelines drafted**
- **Critical number of staff for Special Programme nearly reached**
  - temporary staff seconded to SPA from other WHO programmes
  - professional and support positions established in SPA
  - secondments to SPA underway from three Member States
  - regional office and country-level positions being established
- **National programme support**
  - US $5.6 million to support and strengthen national AIDS programmes
  - over 75 consultant visits (epidemiology, laboratory, education/information, planning)
  - initial visits to 19 countries
  - initial visits planned to 20 countries
  - initial epidemiological assessment in 17 countries
  - immediate support for urgent actions recommended in 20 countries
  - collaboration with 17 AIDS committees to develop national plan
  - ten laboratory workshops held in 1986
- **Global activity**
  - 101 countries now reporting on AIDS to WHO
  - extensive collaboration established with WHO programmes, UN agencies and non-governmental organizations
  - large-scale information activities include press kits, over 10 press conferences to a global audience and over 100 media interviews
  - seven major meetings held on global research and policy issues; six additional meetings planned from mid-April through July 1987
  - broad international support for WHO leadership of global AIDS control strategy.



The Global Strategy

AIDS will be controlled through the combination of aggressive national programmes and extraordinary international cooperation. AIDS will be controlled by attacking every mode of AIDS virus spread, in every country, using every scientific and educational tool.

- Implementation of national AIDS programmes is of the highest priority, for each national programme not only attacks AIDS in that country, but contributes to global control.
- Assurance of global collaboration is of the highest priority, for AIDS cannot be stopped in any country until it is stopped in all countries.

Part I

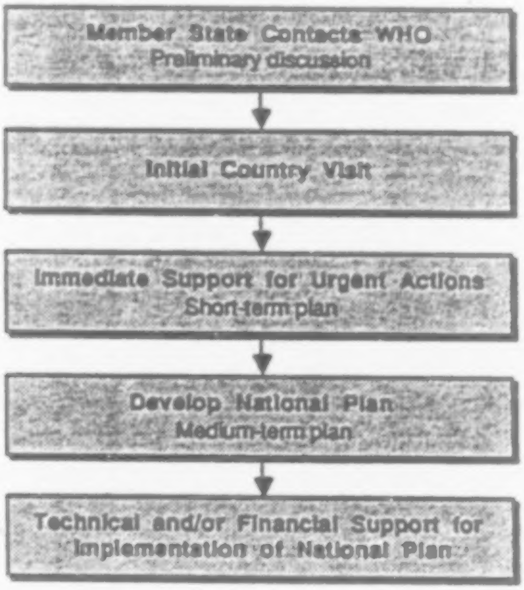
Support to National AIDS Programmes

Every country in the world needs a National AIDS Prevention and Control Programme.

The Special Programme on AIDS (SPA), in close association with regional offices, has thus far provided over 75 consultant visits and US $5.6 million to support and strengthen national AIDS programmes.

Collaboration with a Member State begins promptly after preliminary discussions between the Ministry of Health, the Regional Office and SPA. The initial phases of SPA/WHO support follow a logical, yet pragmatic and flexible sequence:

WHO action course


Member State Contacts WHO
Preliminary discussion
Initial Country Visit
Immediate Support for Urgent Actions
Short-term plan
Develop National Plan
Medium-term plan
Technical and/or Financial Support for
Implementation of National Plan

Up to 15 April 1987, SPA/WHO made initial visits to 19 countries: Argentina, Brazil, Cameroon, Central African Republic, Congo, Ethiopia, Haiti, Kenya, Kuwait, Liberia, Mauritius, Mexico, Mozambique, Nigeria, Uganda, United Republic of Tanzania, Zaire, Zambia and 19 Caribbean countries through the Caribbean Epidemiology Centre (CAREC - counted as one). As of 15 April, visits are planned to 20 additional countries: Benin, Burundi, Cape Verde, Côte d'Ivoire, Dominican Republic, Egypt, Gabon, Ghana, Guinea, Guinea-Bissau, Jordan, Mali, Niger, Rwanda, Senegal, Sudan, Swaziland, Syrian Arab Republic, Togo and Venezuela.

SPA/WHO consultant teams have included specialists in epidemiology, laboratory diagnosis, health planning and public health communication/education.

SPA/WHO is collaborating with 18 Member States to develop national plans.

The current progress of collaboration between SPA/WHO and Member States is outlined in Table 1; specific illustrative examples are given in this report.

SPA/WHO proposes to visit and support 50 Member States during 1987.

Table 1 SPA/WHO collaboration with Member States to support national AIDS programmes

(as of 15 April 1987)

■ Completed □ Underway or planned

Country	Initial visit	Immediate support	Short-term plan	Medium-term plan
Argentina	■	□		
Benin	□			
Brazil	■	■	■	□
Burundi	□			
Cameroon	■	□	■	□
Cape Verde	□			
Caribbean Islands (through CAREC*)	■	□	■	
Central African Republic	■	□	□	
Congo	■	□	■	□
Côte d'Ivoire	□			
Dominican Republic	□			
Egypt	□			
Ethiopia	■	■	■	□
Gabon	□			
Ghana	□			
Guinea	□	□		
Guinea-Bissau	□	■		
Haiti	■	■	■	
Jordan	□			
Kenya	■	■	■	■
Kuwait	■			
Liberia	■	□	■	□
Mali	□			
Mauritius	■	□	■	□
Mexico	■	■	■	
Mozambique	■	□	■	□
Niger	□			
Nigeria	■	□	■	□
Rwanda	□			
Senegal	□			
Sudan	□			
Swaziland	□			
Syrian Arab Republic	□			
Togo	□			
Uganda	■	■	■	■
United Republic of Tanzania				
Mainland	■	□	■	■
Zanzibar	□			
Venezuela	□			
Zaire	■	□	■	□
Zambia	■	■	■	■

* **Caribbean Epidemiology Centre** (Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands)

The initial country visit

The initial country visit helps strengthen the political commitment to support an active National AIDS Prevention and Control Programme. SPA/WHO staff meet with senior government officials and review the global, regional and national AIDS situation, national and bilateral actions to date, the principal components of a national plan and WHO strategies and resources. The visiting team emphasizes the importance of establishing a broadly representative national AIDS committee, for this Committee becomes the mechanism for developing the national plan.

During the initial visit, an assessment of the AIDS situation is conducted or planned as a subsequent activity. Existing components of the national strategy are reviewed and areas requiring prompt action (e.g., implementation of initial educational programmes for high-risk groups, health care workers or the general public) are identified and immediate WHO support is arranged. Finally, the SPA/WHO staff and Ministry of Health officials prepare a timetable for subsequent stages of WHO/Member State collaboration

Argentina

Immediately following SPA/WHO's initial visit to Argentina on 5-6 February 1987, the Ministry of Health mobilized all relevant resources to prepare a National AIDS Prevention and Control Programme.

The SPA/WHO team included the Regional Office staff responsible for AIDS and the Director of SPA. The SPA/WHO team reviewed the information available on AIDS cases in Argentina with over 20 health workers responsible for key elements of the health care system. Although only a relatively small number of AIDS cases had been reported (69), the medical community had completed careful study of the clinical and epidemiological profile of AIDS in Argentina.

An evening seminar/discussion was arranged for senior representatives from several government ministries. The global scope of AIDS, the "iceberg effect" (relatively few AIDS cases compared with much larger numbers of HIV-infected persons), and the inevitable sharp increase in AIDS cases to be expected in Argentina during the next 5 years commanded attention.

The following morning, at a meeting with the Secretary of Health, SPA/WHO staff outlined the severity and scope of the AIDS pandemic, described national strategies and the WHO global AIDS programme. A meeting was arranged immediately thereafter with representatives from the Ministry of Health, National Academy of Medicine, National Research Council, specialized institutions, clinical care programmes and universities. A lengthy discussion focused on the components of a National AIDS Prevention and Control Programme and resulted in the Ministry of Health requesting those present to assess how each institution could contribute to a national programme. These responses were incorporated into a draft national plan which was submitted to WHO within two weeks; a final plan was received four weeks later.

Liberia

Concern about global and regional HIV epidemiology prompted the Ministry of Health and Social Welfare of the Republic of Liberia to request an initial visit by SPA/WHO. One case of AIDS had been diagnosed in 1986, however serosurveys showed no evidence of HIV infection in two population samples. On 3 February 1987, a SPA/WHO team held discussions with the Ministry about the steps required to strengthen surveillance of HIV-infection and activities to improve national preparedness for dealing with further cases of AIDS and HIV infection.

A "core group meeting" on AIDS was held with representatives from the Ministry of Health and Social Welfare, medical specialty groups, maternity care, social work and education units, the Medical Students' Association, blood bank staff and the Liberian Red Cross. The meeting produced a draft proposal for terms of reference and membership of a National Advisory Committee on AIDS (NACA).

The Ministry of Health and Social Welfare decided to establish formally the NACA within three months. The NACA's broad terms of reference include advising the Ministry on scientific, technical and operational matters pertaining to the planning, implementation, monitoring and evaluation of the prevention and control of AIDS in Liberia, and to advise on related research and development activities.

Further discussion between SPA/WHO and the Ministry identified a series of short-term actions to strengthen the surveillance of HIV-infection:

- Laboratories will be strengthened to increase HIV diagnostic capability
- Clinical criteria for AIDS diagnosis are being reviewed for distribution throughout the health system
- Clinical experience in the diagnosis and management of AIDS patients has been arranged for two Liberian physicians

WHO and the Ministry agreed to collaborate in the establishment of a National Programme for Liberia on the Prevention and Control of AIDS. The Programme will form an integral part of Ministry of Health activities and develop links with other Ministries. The Programme's focus will be to provide AIDS education and information through primary health care systems and community involvement.

The initial epidemiological assessment

SPA/WHO has carried out initial epidemiological assessments in 17 Member States. An initial assessment of the current AIDS and HIV epidemiological situation is essential for planning a national AIDS Prevention and Control Programme. The initial assessment is intended to:

- obtain information regarding the occurrence of clinical AIDS;
- obtain information regarding HIV seroprevalence;
- provide a reasoned assessment of the general dimensions of the AIDS/HIV epidemiological situation to the national AIDS committee.

SPA/WHO initial epidemiological assessments include an analysis of existing serological studies and the available data on AIDS cases. If the AIDS and HIV situation is unclear, SPA/WHO may perform 'on the spot' seroprevalence surveys and plan more extensive studies.

Haiti

AIDS and HIV infection are significant public health problems in Haiti. From 26-29 January 1987, a three-member SPA/WHO team visited Haiti to collaborate with the Ministry of Public Health and Population in developing a national AIDS prevention and control programme. A review of existing serosurvey data and information on AIDS cases was considered sufficient for an initial assessment of the epidemiological situation.

Although 785 AIDS cases had been officially recorded in Haiti, the National Technical Committee on AIDS estimated that at least 1 000 cases had occurred. The average monthly number of new AIDS cases seen by members of the Haitian Group for the Study of Kaposi's Sarcoma and Opportunistic Infections (GHESKIO) increased from one in 1981 to 13.5 in early 1986 to 20-25 in January 1987. Seventy percent of cases were in men. However, only 10% of these men were classified as homosexual or bisexual; 1% were IV drug abusers; 8% were recipients of blood transfusions, and the large majority, (81%) were considered to have become infected through heterosexual contact. Among women with AIDS, 24% were infected through blood transfusions and 76% through heterosexual contact. Eighty percent of all AIDS patients live in the capital, Port-au-Prince; 10% live in rural areas, and 10% come from abroad.

A number of HIV antibody studies suggest the extent of HIV infection in Haiti.

(Cont.)

Haiti (Cont.)

Available studies demonstrated HIV seropositivity among:

- 3% of pregnant women at the Albert Schweitzer Hospital;
- 38% to 49% of female prostitutes;
- 22% of 166 patients with tuberculosis;
- 55% of 174 regular sex partners of AIDS patients;
- 2% to 4% of blood donors screened at the Red Cross Blood Transfusion Center in Port-au-Prince;
- 6% of 109 hotel and factory workers.

Sexual transmission of HIV appears to be the most common route of infection; most sexual spread is apparently heterosexual. HIV transmission through blood and blood products is also important along with practices involving needles, syringes and other instruments. For example, health authorities estimated that there were between 10,000 and 15,000 "piquristes" (injectionists) who administer injections on demand without medical supervision, adequate training or appropriately sterilized equipment.

The extent of AIDS and HIV transmission in Haiti as determined in this assessment led SPA/WHO to provide immediate support and increase the priority for technical and financial support to Haiti.

Mozambique

In the People's Republic of Mozambique, SPA/WHO is supporting a national seroepidemiological survey of HIV infection. This follows an SPA/WHO team visit to Maputo on 2-9 March 1987, which was unable to identify and collect sufficient information on the prevalence of AIDS and HIV infection for the planning of a National AIDS Prevention and Control Programme.

Although no clinical AIDS cases had been seen by the staff at Maputo Central Hospital, three deaths were diagnosed retrospectively as AIDS on clinical grounds. The SPA/WHO team performed three 'on the spot' surveys (sample sizes ranged from 50 to 130) for antibodies to HIV. Sera were obtained from blood donors, patients at sexually transmitted disease clinics and tuberculosis patients. Sera testing positive by ELISA technique in Maputo were forwarded to the Institut Pasteur in Bangui, Central African Republic (a WHO Collaborating Centre on AIDS) for Western Blot confirmation.

During the National Seroepidemiological Survey sera will be tested from 3800 men and women (over 15 years old) living in the main cities. In addition, patients with Kaposi's sarcoma will be sought and tested for serological evidence of HIV infection. A sample survey of high-risk groups will also be performed. Individuals found to be HIV-antibody positive will be informed and counselled.

(Cont.)

Mozambique (Cont.)

The Immunology Laboratory at the National Institute of Health in Maputo is being strengthened and supported to perform ELISA, Western Blot examinations and T-lymphocyte subset determination. SPA/WHO will supply the necessary reagents, supplies and equipment; an experienced immunologist may be appointed to the laboratory as a WHO Consultant.

The national seroepidemiological survey will provide the Ministry of Health with the essential information for establishing priorities for screening at blood banks, creating a national epidemiological surveillance system and defining appropriate targets for a national health education programme.

Immediate support for urgent actions

At the onset, AIDS prevention and control often requires immediate action.

During or following the initial visit, SPA/WHO and the Ministry of Health jointly decide which measures, if any, should be implemented prior to, or simultaneously with the development of a medium-term national plan.

SPA/WHO has recommended immediate support to 20 Member States: Argentina, Brazil, Cameroon, Central African Republic, Congo, Ethiopia, Guinea, Guinea-Bissau, Haiti, Kenya, Liberia, Mauritius, Mexico, Mozambique, Nigeria, Uganda, United Republic of Tanzania, Zaire, Zambia and Caribbean countries through CAREC.

Examples of immediate support are provided below (US$):

Objectives

Kenya $387 000

- Establish blood screening systems in seven provincial and one central hospital
- Support national production of guidelines for health workers on AIDS prevention and control
- Support national production of educational material for the public

Uganda $310 000

- Establish blood donor screening in major city and provincial hospitals
- Establish effective national surveillance system for AIDS

Zambia $495 800

- Initiate and establish nationwide blood donor screening for HIV

Zambia

A project to implement nationwide screening of the blood supply for HIV has been launched in Zambia. The project is fully supported by SPA/WHO at the request of the Ministry of Health, following joint assessment of the HIV situation among blood donors and development of a project proposal.

In Zambia, the screening of blood donors for antibody to HIV was limited to the University Teaching Hospital in Lusaka. One other laboratory, at the Tropical Disease Research Centre in Ndola, offered HIV antibody testing. In early November 1986, SPA/WHO and the Zambian Ministry of Health agreed that HIV infection arising from the necessary use of blood must be halted as soon as possible. A follow-up visit by an SPA/WHO consultant later in November led to development of a national blood donor screening proposal which was submitted to SPA/WHO in mid-December 1986.

- Existing facilities could undertake only limited additional work and therefore testing will be decentralized to districts and provinces.
- Essential equipment, supplies, training and support for staff costs is being provided for more than 30 blood-screening centres.
- Activities are being coordinated by the National Blood Transfusion Centre at the University of Lusaka.
- Six vehicles are being provided to ensure the reliable transportation of reagents and serum specimens from hospitals and health care centres to blood screening centres and to the regional reference laboratories at Lusaka and Ndola. Efficient transportation is vital to support the widely dispersed centres and to facilitate the collection of accurate information.
- For a minimum of three months all samples tested seropositive at the blood screening centres will be sent to the designated regional reference laboratory. Repeat testing and confirmation will be undertaken by the reference laboratory and results will be sent back to the blood-screening centres on a monthly basis. Donors will only be informed of a positive result if confirmed by repeat testing.
- The counselling of donors found to be HIV-antibody positive is an integral part of the project.

Monitoring the implementation of this project is vital to ensure its success. The data and experience derived will benefit longer-term support for protection of the blood supply in Zambia, as well as the development of similar programmes in neighbouring countries. The project is expected to be operating nationwide in May 1987.

Nigeria

Nigeria established a National Expert Committee on AIDS in June 1986. At the request of the Ministry of Health an SPA/WHO team visited Nigeria from 9-13 March 1987 to review the Committee's current and planned activities and to plan further collaboration.

Prior to the initial visit, neither cases of AIDS nor of HIV seropositivity had been identified; accordingly, the National Expert Committee had stated that HIV was not yet in Nigeria. However, just after the mission, two of 2 000 blood samples tested were positive for antibodies to HIV (both samples were from female prostitutes). The Minister of Health promptly conveyed this information in a press conference during which he recognized WHO collaboration and announced a public education programme on AIDS.

- Technical and financial resources are being mobilized immediately while a medium-term national AIDS plan is being prepared.
- There is an immediate need for educational materials with messages adapted to different socioeconomic groups and geographical areas.
- To define the educational objectives and target groups, the National Committee is organizing a national health education workshop; SPA/WHO will provide a consultant on health communication/education.

The establishment of HIV diagnostic capabilities is also a priority.

- SPA/WHO is providing the resources to equip eight diagnostic and two reference laboratories to perform ELISA tests.
- Reagents (ELISA kits) will be supplied to enable each laboratory to perform 7 500 tests per year.
- WHO will provide funds and a consultant for a workshop to train the technologists and scientists (two from each laboratory) in the ELISA technique.

Developing the national plan

A comprehensive national plan for AIDS prevention and control is an indispensable tool. The national plan not only guides national resource allocation but also provides the basis for coordinated bilateral and multilateral support to the national programme.

The short-term (6-12 months) action plan is the basis for the development of comprehensive medium-term (3-5 year) strategies and activities. Both short and medium-term plans reflect a mixture of practical experience, knowledge about

AIDS and general planning concepts. In addition, the national plan includes the principal components as previously described.[1,2]

- National AIDS Committee
- Initial epidemiological and resource assessment
- Epidemiological surveillance
- Laboratory capability
- Clinical services and education of health workers
- Prevention programmes
- Programmes to reduce impact of HIV infection

SPA/WHO is collaborating with 17 National AIDS Committees to develop national plans: Brazil, Cameroon, the Caribbean (through CAREC), Central African Republic, Congo, Ethiopia, Haiti, Kenya, Liberia, Mauritius, Mexico, Mozambique, Nigeria, Uganda, the United Republic of Tanzania, Zaire and Zambia.

Five-year plans have been completed for Kenya, Uganda, the United Republic of Tanzania and Zambia. According to national capability and external resource availability, national programmes will be supported and implemented.

Uganda

The Government of Uganda has given the highest priority to controlling the AIDS epidemic. In October 1986, the Ministry of Health established the National Committee for the Prevention of AIDS. An initial visit by a team of SPA/WHO consultants on 14-16 January 1987 resulted in a short-term plan and immediate assistance. During the second half of February, three SPA/WHO consultants collaborated with the Ministry of Health in drafting a detailed medium-term plan.

Uganda is one of the first countries to develop a comprehensive five-year plan for national AIDS prevention and control. The plan defines the Programme's responsibilities, structure, staffing and required resources for 1987-1991. An SPA/WHO consultant has been assigned to Uganda starting in late March to assist the Ministry of Health in coordinating national activities, including external assistance, required to implement the plan.

The overall aim of the AIDS control programme is to reduce the incidence of HIV infection and its associated morbidity in Uganda. Nine objectives have been formulated:

- Assess the current status of the epidemic
- Monitor the progression of the epidemic through surveillance
- Prevent HIV infection by decreasing sexual transmission

(Cont.)

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[1] Document WHO/CPA/86.2

[2] Document WHO/SPA/GEN 87.1

Uganda (Cont.)

- Prevent HIV infection by decreasing transmission through blood transfusion
- Prevent HIV infection by decreasing transmission through other contact with blood and blood products (e.g., injections)
- Prevent HIV infection by decreasing mother-to-child transmission
- Improve clinical management of AIDS patients
- Improve diagnostic capabilities for HIV infection
- Develop and coordinate research activity

Wherever appropriate, the activities proposed to implement these strategies will be integrated into the existing health infrastructure. The AIDS Programme will be directly supervised by the office of the Minister of Health. The National AIDS Committee will advise the Programme and be responsible for AIDS policy formulation. The Programme will be evaluated regularly with collaboration from SPA/WHO.

Technical and/or financial support for implementation

In addition to the country-specific support described in the previous sections, SPA/WHO has conducted training workshops on laboratory techniques for HIV antibody screening (see Table 2). Ten workshops were held during 1986, during which laboratory personnel from 17 African, 11 American, 22 Eastern Mediterranean, 5 South-East Asian and over 20 European countries received training. More than 10 workshops will be held in 1987. Workshop objectives include:

- Strengthening the capability of the health infrastructure;
- Supporting the establishment of surveillance and prevention/control activities;
- Providing support for seroepidemiological research to determine risk factors, mode of transmission, natural history, etc;
- Enhancing collaboration with WHO Collaborating Centres on AIDS;
- Transferring appropriate technology.

Table 2 SPA/WHO Laboratory Workshops on HIV Antibody Screening, 1986-87

Region	Date	Location	Countries Represented	Number of Participants
Africa				
	17-22 Nov 1986	Kigali, Rwanda	Burundi, Cameroon, Central African Republic, Congo, Gabon, Rwanda, Zaire	16
	8-13 Dec 1986	Dar-es-Salaam, Tanzania	Ethiopia, Kenya, Tanzania, Uganda, Zambia, Zimbabwe	15
	2-7 Feb 1987	Accra, Ghana	Ghana, Liberia, Nigeria, Sierra Leone	13
	4-9 May 1987	Nairobi, Kenya	Angola, Botswana, Ethiopia, Gambia, Kenya, Mozambique, Swaziland	16
	22-27 June 1987	Lagos, Nigeria		18
	2-7 Nov 1987	Abidjan, Côte d'Ivoire	Benin, Burkina Faso, Côte d'Ivoire, Chad, Togo	12
	9-14 Nov 1987	Dakar, Senegal	Algeria, Mali, Mauritania, Niger, Senegal	12
Americas				
	3-7 Nov 1986	Rio de Janeiro, Brazil	Brazil, Cuba, Colombia, Honduras, Mexico, Panama Paraguay, Peru, Venezuela	15
Eastern Mediterranean				
	13-17 April 1986	Cairo, Egypt	Iraq, Jordan, Kuwait, Pakistan, Somalia, Sudan, Yemen	15
	13-18 July 1986	Islamabad, Pakistan	Afghanistan, Democratic Yemen, Djibouti, Iran, Libya, Pakistan, Syria, Tunisia	20
	22-28 Nov 1986	Kuwait	Bahrain, Cyprus, Lebanon, Oman, Qatar, Saudi Arabia, U.A.E.	15
	June 1987	Cairo, Egypt	Cyprus, Egypt, Iraq, Jordan, Somalia, Yemen	15

(Cont.)

Table 2 (Cont.)

Region	Date	Location	Countries Represented	Number of Participants
	June 1987	Islamabad, Pakistan	Democratic Yemen, Iran, Libya, Pakistan, Syria	15
	June 1987	Kuwait	Afghanistan, Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, U.A.E.	15
South-East Asia				
	16-20 June 1986	New Delhi, India	India	20
Asia				
	15-20 Dec 1986	Bangkok, Thailand	India, Indonesia, Maldives Nepal, Thailand	8
	Nov 1987	Under discussion		
Europe				
	23-25 June 1986	Paris, France	Algeria, Argentina, Brazil, Cameroun, France, Ghana, Guadeloupe, Nigeria, Rwanda, Zaire	20
	28-30 June 1986	Berlin (West)	Belgium, Czechoslovakia, Ethiopia, Ghana, Italy, Morocco, Nigeria, Norway, Portugal, Switzerland, Yugoslavia	20
	September 1987	Athens, Greece	20	20
	October 1987	Berlin (West)	20	20
	November 1987	Madrid, Spain	20	20
	December 1987	Paris, France	20	20

Part II

Global Leadership and International Activities

The WHO Special Programme on AIDS is providing strong leadership to ensure international coordination and collaboration for the global AIDS strategy.

The global problem

"We stand nakedly in front of a pandemic as mortal as any pandemic there has ever been." Dr Halfdan Mahler gave this stark assessment in a worldwide press briefing held at the United Nations Headquarters in New York on 20 November 1986. Characterizing AIDS as an unprecedented challenge, Dr Mahler outlined the WHO commitment to global AIDS prevention and control.

"In the same spirit that WHO addressed smallpox eradication, WHO will dedicate its energy, commitment and creativity to the even more urgent, difficult and complex task of global AIDS prevention and control. AIDS is a global health problem of paramount international importance. The actions we take now may have a more profound impact on the history of the AIDS epidemic than actions taken at any later time. We are present at the historic moment, the beginning of a major worldwide epidemic of an infectious disease first recognized only five years ago.

WHO is ideally suited to provide an effective international platform for coordinating and directing the overall efforts for AIDS in such fields as prevention, control, research and policy making.

However, WHO is not a supranational organization and national Governments must have the necessary commitment if global AIDS prevention and control is to be achieved."

Office of the Director

At the invitation of Member States and as speaker at major conferences, the SPA Director has visited each region as spokesman for the global AIDS control strategy. Visits to Member States have included discussions of strategy and mobilization of resources for the global programme.

Since July 1986, the Director has visited 21 countries in six regions: Argentina, Australia, Belgium, Brazil, Canada, The Congo, Denmark, France, Federal Republic of Germany, India, Italy, Kenya, Kuwait, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States of America, Zaire and Zambia. During those visits, meetings were held with national AIDS committees, senior government officials from ministries of health, social welfare, education and foreign assistance, members of the medical and scientific community, donor agencies and private corporations.

Through presentations and interviews, the Director contributes to accurate public information on AIDS. Media interest in the SPA/WHO Programme is high and country visits include interviews with newspaper, radio and television journalists. Since November 1986, the Director has made more than twenty formal presentations on the global AIDS situation and the WHO global strategy. These include giving evidence to the Select Committee on Social Services of the British House of Commons and to the United States Senate Committee on Labour and Human Resources (Chairman: Senator Kennedy). In response to media requests, the Division of Information and Health Education has arranged over 100 individual interviews with the SPA Director. These interviews are additional to the many given during visits to Member States.

SPA Staffing: Provisional and Permanent

In order to support the expending SPA mandate, professional and support staff from within WHO were seconded to SPA for varying periods. Table 3 demonstrates that, with considerable support from other WHO programmes, SPA received a temporary staff. The willingness and dedication of this temporary staff has been critical to the new programme's functioning.

Table 3 **SPA staff (full and part-time) including secondments, temporary hires, and short-term consultants**

Date	Professional	General support	Total
1 November 1986	1	1	2
1 December 1986	6	2	8
1 January 1987	5	3	8
1 February 1987	13	8	21
1 March 1987	18	11	29

By early April, the first 19 (nine professional and ten general support) SPA positions were established. The critical mass of SPA personnel has nearly been achieved.

Collaboration

The global AIDS strategy requires close collaboration with many health programmes.

WHO Headquarters

Examples of collaborative work within WHO Headquarters include:

EPI Expanded Programme on Immunization
- Joint preparation of WHO/UNICEF Statement on immunization and HIV infection
- Discussions on research agenda regarding HIV and immunization

TDR Research and Training in Tropical Diseases
- Joint planning for international conference on HIV infection and tropical diseases

ORH Oral Health
- Joint planning and support for training materials and seminars for dentists

NUR Nursing
- Collaboration with International Council of Nurses on joint declaration and preparation of guidelines for nurses

HRP Research Development and Research Training in Human Reproduction
- Preparation of joint consultation on contraception and HIV

FHE Family Health
- Preparation of joint consultation on HIV-related maternal and child health research

IEH Public Information and Education for Health
- Media kit; press conferences

CDS Communicable Diseases
- Joint sponsorship of Immunology of AIDS meeting
- Review of guidelines for leprosy workers

CDD Diarrhoeal Diseases Control
- Request for consideration of HIV-associated diarrhoeal diseases in CDD evaluations

BLG Biologicals
- Discussions regarding blood donor screening programmes

DAP **Action Programme for Essential Drugs**
- Preliminary discussions regarding anti-HIV drugs

JMS **Joint Medical Services**
- Advisor for policy on HIV screening of WHO staff

HLE **Health Legislation**
- Information regarding legislation and policies introduced by Member States to control spread of HIV is being collected and disseminated upon request. A more formal survey of national legislation in this area has been commissioned.

WHO Regional Offices

SPA has established close working relationships with the regional offices. Detailed discussions have been held with regional directors in January 1987 and with regional communicable disease advisors in February 1987 on strengthening regional office capabilities regarding AIDS and contributing support for regional workshops and other regional and inter-regional activities.

Regional Consultations

In addition to the laboratory workshops supported by SPA, the following inter-country consultations and meetings have been organised by WHO in the regions:

South-East Asia

An intercountry consultation on the prevention and control of AIDS was held at the WHO regional office for South-East Asia, New Delhi from 13-16 July 1986. Twelve participants from eight countries reviewed the AIDS situation in the region and discussed future collaboration with WHO.

Africa

A regional conference on AIDS in Africa was held in Brazzaville, Congo from 11-13 November 1986. The objectives included: a scientific review and update of the global aspects of the biology, immunopathogenesis, clinical features, laboratory aspects and epidemiology of HIV infection and AIDS; a scientific review and update of the clinical, laboratory and epidemiological features of HIV and related retroviruses in Africa; and a review of the practical experiences and activities to date in Africa. Representatives from 37 Member States of the African region attended the conference and approved recommendations for both Member States and WHO, encouraging the latter to continue to take a strong position of leadership and advocacy for national and international programmes on the prevention and control of AIDS.

Europe

A regional meeting on AIDS diagnosis and control (Munich, 16-18 March 1987) was attended by 45 participants from 26 countries. The meeting explored intersectoral public health approaches to control the spread of HIV infection. A review and update on AIDS and HIV infection included: epidemiology, pathogenesis, laboratory diagnosis, therapy, immunoprophylaxis, legal and ethical issues, social economic and psychological aspects, paediatrics, drug abuse, survey results, transmission models and quality control of biologicals.

Western Pacific

A regional conference on AIDS prevention and control strategies will be held in Australia from 20-24 July 1987.

Americas

A regional conference on AIDS is planned for Quito, Ecuador from 14-15 September 1987.

Eastern Mediterranean

In addition to the regional meeting held in February 1986, a meeting of Gulf States was held in Kuwait from 7-8 March 1987.

The UN family

SPA is actively collaborating with UNICEF, UNESCO and the World Bank and initial discussions have been held with UNDP, UNFPA and UNHCR. For example, SPA is collaborating with UNESCO in the development of effective educational materials for national education authorities. A joint meeting with educational specialists is planned for June/July to explore approaches and formulate a plan of action. SPA has worked closely with UNICEF in addressing specific concerns such as immunization and in order to ensure complete consistency in technical, informational and policy areas.

Other organizations

Working links have also been developed between SPA and other organizations, including the African Medical Research Foundation, American Foundation for AIDS Research, Commission of the European Communities, Family Health International, International Council of Nurses, International Planned Parenthood Federation, Fondation France Liberté, Fondation Mérieux, League of Red Cross and Crescent Societies, Médecins du Monde, Médecins sans Frontières, National Academy of Sciences (USA) - Institute of Medicine, National Council for International Health, Nordic Red Cross Societies, Organization for Coordination and Control of Endemic Diseases in Central Africa, Panos Institute, Project Hope, Terre des hommes, World Council of Churches, World Emergency Relief, World Hemophilia AIDS Center.

The League of Red Cross/Red Crescent Societies and National Societies

SPA is working actively with the League (including partial support for the AIDS specialist post in League Headquarters) and with individual Red Cross Societies, particularly in areas of blood donor screening and public education. A highlight of this collaboration was the meeting of Nordic Red Cross and Foreign Cooperation Agencies, organized by the Norwegian Red Cross in Oslo from 8-9 January 1987.

Health promotion

Information about AIDS is vital

WHO activities on AIDS and details of recent developments have been regularly conveyed through the *Weekly Epidemiological Record* (WER).

- Since the beginning of 1986, more than 40 articles on AIDS and related subjects have been published in WER.
- An AIDS information kit is updated and distributed every three months to regional offices, ministries of health and permanent missions in Geneva. It serves as a basic source of information for press releases and responses to press inquiries. The updates incorporate the most recent information on virology, immunology, epidemiology, treatment, diagnosis and vaccine development.
- Telex messages are sent to regional offices promptly when new information or developments occur (e.g., AZT field trial results, Ribavirin study data).

A consultation on AIDS Public Health Communication will be held at WHO Headquarters in Geneva from 6-9 July 1987. The discussions of 28 participants from 19 countries will present a global picture of active national AIDS communication programmes. The consultation will provide a forum for the exchange of strategies and materials, and the critique of a draft WHO manual on public health communication strategies for the prevention and control of AIDS.

In June, SPA will distribute an AIDS information brochure and prevention poster. SPA is also producing a health promotion manual to provide Member States with a practical guide for this essential component of the National AIDS Programme. A one-day workshop on use of the manual is also being designed for members of National AIDS Committees.

The Media

Frequent contact with the media is used to keep the public informed of the global AIDS situation and SPA/WHO activities.

- A press conference has followed most meetings on AIDS held at WHO Headquarters, so that the results and recommendations are widely and immediately available.
- 15 to 40 media inquiries are received daily about AIDS and SPA's activities.
- SPA has collaborated with the Reader's Digest to compile a question and answer sheet on AIDS and HIV infection. This tear-out sheet will appear in all 39 editions (15 languages) of the June issue. Reader's Digest estimates its readership at 100 million people worldwide.

Preparation and distribution of guidelines

Guidelines for the prevention and control of AIDS are being prepared. The formulation of these materials involves bringing together key scientists, public health officials, and policy makers from as broad a range of countries as possible.

- **Guidelines for the prevention and control of infection with LAV HTLV-III (HIV)**, issued in May 1986, are currently under review by SPA. These guidelines cover: precautions for health care workers, providers of pre-hospital emergency care and laboratory staff; management of parenteral and mucous membrane exposures; considerations relevant to personal service workers, food service workers and workers sharing the same work environment; prevention of parenteral transmission through blood and blood products; and disinfection and sterilization, including commonly available disinfectants, sterilization and processing of needles and syringes.

- Based on the above recommendations, a practical **wall chart** showing essential precautions to prevent HIV-transmission is being designed for use in clinics.

- **Guidelines for the prevention of sexual transmission** are currently being prepared.

- **Guidelines for nurses** on the care of patients with AIDS and HIV infection are being produced jointly by SPA and the International Council of Nurses (ICN). WHO and ICN have also issued a joint declaration on AIDS. ICN has committed itself to full partnership with WHO in working for the interests of the public, those infected with HIV and those providing care to them.

- **Guidelines on immunization and HIV-infection** prepared within the framework of WHO's Expanded Programme on Immunization, emphasize that adherence to recommended practices regarding sterilization of reusable needles and syringes will eliminate any risk of HIV transmission through immunization. A joint WHO/UNICEF statement on immunization and AIDS was issued in February 1987.

- A **clinical manual** on AIDS in Africa is being prepared.

- **International travel and HIV** was the subject of a consultation convened by SPA on 2-3 March in Geneva. Three issues were addressed: whether international travellers should be screened for HIV, whether the travel of HIV-infected persons by public conveyance should be restricted; and recommendations for international travellers on the prevention of HIV infection. It was concluded that:

  - at best, and at great cost, the screening of international travellers would only briefly retard HIV from spreading, whether regarded from the global or the national perspective. Serious logistic, epidemiological, economic, legal, political and ethical problems would be inherent in any proposal for such screening, which would have to involve both national and foreign entrants. The diversion of resources from educational programmes and measures to protect the blood supply is not justified.

- there is no reason to prevent HIV-infected persons from using trains, buses, airplanes, cars, or ships, since there is no risk for others of infection from sharing the same conveyance.

- the routes of transmission, the behaviour that puts an individual at risk, and the preventive measures are the same, regardless of whether the individual is travelling or remains in one country. Educational material should be made available to international travellers, to increase their awareness of how HIV is transmitted and how it can be prevented.

- **Guidelines on counselling** of HIV-infected persons and AIDS patients are being developed as a result of a consultation organised by SPA in Geneva from 7-9 April 1987. An international group of clinicians, social workers, psychiatrists and sociologists from six countries worked to design generic guidelines.

- **Criteria for HIV screening programmes**
  SPA is organizing a meeting to develop criteria to be considered whenever a programme for HIV screening is under discussion. The meeting is being held at WHO Headquarters in Geneva from 20-21 May 1987.

Research and development

The focus of SPA's Research and Development Unit is to co-ordinate, promote and support biomedical, epidemiological, behavioural, operational and economic research and development. These activities are supported by an international network of WHO Collaborating Centres on AIDS (see page 34). A meeting of WHO Collaborating Centre directors will be held in Washington on 6 June 1987, following the Third International Conference on AIDS.

Examination of testing kits

Using a panel of reference sera, the collaborating centres have evaluated test kits for HIV antibody detection produced by 13 manufacturers. In October 1986, a letter was sent to manufacturers of test kits indicating WHO's strong interest in the development and evaluation, including field testing of HIV antibody detection methods that are fully adapted to conditions in the developing world. WHO expressed its willingness to assist in the coordination of evaluation and field testing, and several manufacturers have been working with WHO in this area.

Global banks for reference sera and for HIV and related retroviruses

A global serum bank, including geographically and temporally representative sera, is being established. WHO reference sera from patients in Europe and USA have already been made available on request to national laboratories for evaluation of antibody tests. A collection of human sera of known reactivity with HIV was evaluated by a variety of immunoassays in an international collaborative study involving 21 laboratories. A WHO-coordinated network ("bank") for HIV and related retroviruses is being established to ensure that a collection of well characterized viral strains, geographically and temporally representative of the global situation, will be freely available to scientific researchers.

AIDS vaccine efficacy trials in human populations

In anticipation of the need to test candidate AIDS vaccines in humans, SPA invited 13 scientists from ten countries to WHO Headquarters from 15-16 December 1986. The participants agreed on the following general concepts regarding evaluation of candidate AIDS vaccines:

- Efforts to develop AIDS vaccines establish a new era in vaccine development.
- Testing of candidate AIDS vaccines will be complex, difficult and time-consuming. An AIDS vaccine for general use will not be available, if at all, before 1991 and is unlikely to be available before the mid-1990's.
- Given the complexity of the problem, including ethical and social dimensions, along with the paramount global importance of developing a safe and effective AIDS vaccine, international cooperation and collaboration and open information exchange are essential in the evaluation of candidate AIDS vaccines.
- There is an urgent need for advance planning of clinical trials of potential AIDS vaccines.

It was recommended that SPA should establish a mechanism to ensure the open exchange of the scientific, social and ethical information necessary for advance planning and international collaboration in the clinical testing of candidate AIDS vaccines, with particular reference to phase three trials.

Newly identified HIV-related retroviruses

In view of the identification of additional human retroviruses, SPA convened a meeting in Geneva from 11-12 February 1987. It was attended by 27 participants and 39 scientific observers from 26 countries. The virology, immunology, serodiagnosis, epidemiology and clinical aspects of HIV-related retroviruses, isolated principally in West Africa, were discussed. These viruses appear antigenically closer to the simian immunodeficiency virus (STLV-III) than to HIV. Some isolates appear to be associated with clinical AIDS and some appear to be of low pathogenicity.

The meeting concluded that the relationship among isolates is not clear and that further research is required. Although the epidemiology is not well defined, the HIV-related retroviruses appear to be transmitted by the same routes as HIV and therefore the same precautions are recommended to prevent infection. The meeting recommended that WHO play an active role in the exchange of information and reagents. Specifically, SPA is organizing working groups to develop criteria that will facilitate the comparison of HIV-related retroviruses, and to propose a system that will ensure the international exchange of human retroviral reagents, including virus isolates and sera ("bank", see above). In collaboration with the governments of countries in West and Central Africa, a meeting will be organised on the virology and epidemiology of HIV-related retroviruses and on prevention and control programmes.

The designation of a WHO Collaborating Centre on Simian and Related Retroviruses at the Department of Cancer Biology, Harvard School of Public Health (USA) has been proposed to help ensure close communication between SPA and the rapidly evolving field of simian retroviral research.

Immunology of AIDS

A meeting on the immunology of AIDS, sponsored by WHO and the International Union of Immunological Societies, was held in Geneva from 18-19 February 1987. Eleven participants from seven countries discussed the most recent developments and reviewed the underlying immunological abnormalities. The summary report will be published in the WHO Bulletin and elsewhere in the scientific literature.

Breast milk and HIV transmission

HIV has been isolated in human breast milk. A very small number of cases of possible postnatal transmission of HIV through breast milk have been reported. However, the respective roles of intrauterine, peripartum and breast-feeding periods in perinatal HIV transmission are unclear. To address these issues, SPA will organise a consultation of ten experts from eight countries in Geneva in June 1987. Given the nutritional and immunological importance of breast-feeding for the majority of children throughout the world, and the policies that have been adopted by different countries over the past ten years concerning the promotion of breast-feeding, it is vital that the role of breast milk and breast-feeding in HIV transmission be clarified and appropriate recommendations prepared. WHO Guidelines previously prepared in collaboration with the maternal and child health programme stress the need to maintain current breast-feeding policies while awaiting results of ongoing studies.

Contraception and AIDS

Condoms, other barrier methods and spermicides are proposed to prevent HIV transmission during coitus. In addition, the relationship between hormonal contraceptive methods and HIV transmission has not been systematically reviewed. To stimulate further targeted research, SPA is organising a meeting in collaboration with the Special Programme of Research, Development and Research Training in Human Reproduction (HRP). Ten participants from six countries will meet at WHO Headquarters in Geneva from 13-15 May 1987.

Psychosocial research needs

SPA is convening a consultation on psychosocial factors and research needs in HIV infection and AIDS in Geneva from 25-28 May 1987. Twenty participants from 18 countries will meet to determine and assign priority to current and future needs for research which are appropriate to health planning and education. Methods and approaches will be proposed for studying social issues and a core group of biosocial scientists who can collaborate with WHO in strengthening national research capabilities will be established.

Maternal and Child Health/Family Planning and HIV transmission

Mothers and children are being increasingly exposed to risks of HIV transmission. Health workers who come into contact with mothers or women of reproductive age can play an important role in counselling, educating and helping identify high-risk individuals or groups. Maternal and Child Health and Family Planning (MCH/FP) services, because they serve this particular age group, and because in almost all countries have high coverage and acceptability, are ideally suited to the provision of HIV preventive services. In collaboration with MCH/FHE, SPA is bringing together 15 participants from 13 countries for a consultation in June 1987 in order to review the tasks that different health-workers perform, and the roles and responsibilities for AIDS prevention and control that could be assumed. The Consultation will define tasks, educational inputs and critical intervals in the process of MCH/FP care at which specific interventions could be provided.

Blood and blood products

As part of the follow-up to the meeting of experts on blood and blood products (April 1986), detailed recommendations were published in the *Weekly Epidemiological Record* regarding information for the public concerning the risk of HIV-infection, donor education and testing of blood donations for antibodies to HIV. The meeting on HIV-related retroviruses (described above) recommended that Member States take into account the epidemiology of the newly identified retroviruses (LAV-2 and HTLV-4) when establishing and reviewing country or regional blood donor screening policies.

Other important scientific meetings co-sponsored by WHO

- Second International Conference on AIDS, Paris, France, 23-25 June 1986
- International Conference on AIDS in Children, Adolescents and Heterosexual Adults, Atlanta, USA, 19-21 February 1987
- International Conference on AIDS, Washington, USA, 1-5 June 1987

Surveillance, forecasting and impact assessment

Surveillance

A weekly update of the AIDS case report to WHO is prepared and distributed. As of December 1982, only 711 AIDS cases had been reported to the World Health Organization from 16 countries. However, by 1 April 1987, 45,700 AIDS cases were reported to WHO from 102 countries representing all continents (Figs. 1 and 2). An additional 29 countries have informed WHO that they have no cases to report.

A reporting form which includes the age and sex of AIDS cases, clinical diagnosis and broad risk groups has been provided to all Member States. Reticence in reporting of cases from some areas, combined with under-recognition of AIDS and under-reporting to national health authorities, has meant that the number of reported AIDS cases represents only a fraction of the total cases to date, which are estimated to exceed 100,000. WHO considers the number of countries reporting AIDS to be more indicative of the geographic extent and more relevant to an assessment of the scope of the HIV pandemic than the number of cases reported.

Predictive modelling and impact assessment

SPA is planning a series of seminars and meetings to develop and improve predictive modelling capabilities, by bringing together modellers, epidemiologists, virologists and representatives of other relevant disciplines.

The need for accurate estimates of national HIV seroprevalence has stimulated preparations for a meeting in Geneva to develop alternative strategies for collection and analyses of this data.

In order to evaluate the direct medical care costs for AIDS patients in the developing world, a collaboration with the World Bank is planned.

The demographic impact of HIV infection may be substantial. Strategies to assess and predict this impact, under development by USAID, will be evaluated for possible application in national and regional analyses.

Fig. 1 **Number of countries reporting on AIDS to WHO**
as of 15 April 1987*

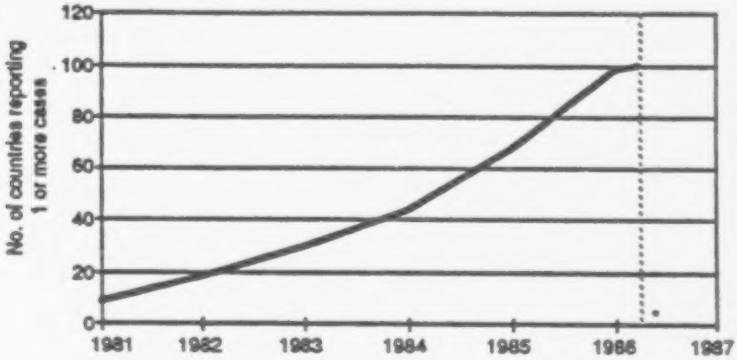
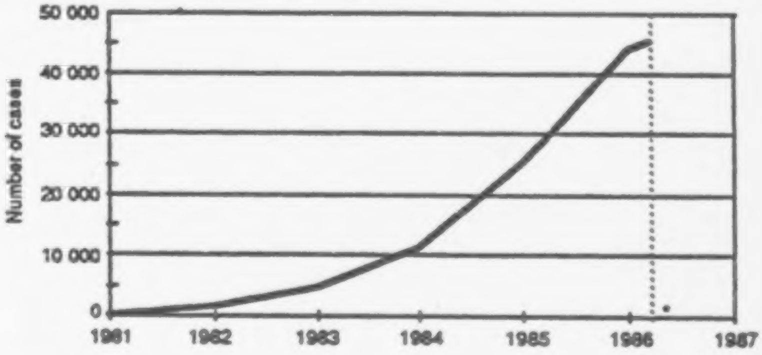


Fig. 2 **Cumulative number of AIDS cases reported to WHO**
as of 15 April 1987*



WHO collaborating centres on AIDS*

The following centres are already designated or are in the process of being designated:

African region

Institut Pasteur, Boîte postale 923, Bangui, Central African Republic

Kenya Medical Research Institute, University of Nairobi, Nairobi, Kenya

Region of the Americas

Department of Cancer Biology, Harvard School of Public Health (collaboration on simian and related retroviruses), 665 Huntington Avenue, Boston, Massachusetts 02115, United States of America

Laboratory Centre for Disease Control, Tunney's Pasture, Ottawa, Ontario, Canada K1A OL2

AIDS Program, Center for Infectious Diseases, Centers for Disease Control, Atlanta, Georgia 30333, United States of America

National Institutes of Health, Building 1, Room 111, Bethesda, Maryland 20205, United States of America

Fundaçao Oswaldo Cruz, Avenida Brasil 4365, Caixa Postal 926, 21040 Rio de Janeiro, Brasil

Center for Drugs and Biologics, Food and Drug Administration, 5600 Fishers Lane, Rockville, Maryland 20857, United States of America

South-East Asia region

National Institute of Virology, 20A Dr Ambedkar Rd, 411001 Pune, India

Faculty of Medicine, Department of Microbiology, Siriraj Hospital, Mahidol University, Bangkok, Thailand

European region

Institut de Médecine et d'Epidémiologie africaine et tropicales, Hôpital Claude Bernard, 10, Avenue de la Porte d'Aubervilliers, F-75944 Paris Cedex 19, France

Collaborating Centres on AIDS of the Federal Republic of Germany

- Department of Hygiene and Medical Microbiology, Max von Pettenkofer Institute, Pettenkoferstr. 9A, 8000 Munich 2
- Institut für Klinische und Experimentelle Virologie der FU, Berlin
- Robert-Koch Institut des Bundesgesundheitsamtes, Berlin
- Paul-Ehrlich-Institut, Frankfurt

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* Includes those under designation.

European region (Cont.)

National Institute of Hygiene, Gyali ut. 2-6, 1097 Budapest, Hungary

Central Public Health Laboratory, 61 Colindale Avenue,
London NW9 5HT, United Kingdom

National Bacteriological Laboratory, 10521 Stockholm, Sweden

Unité d'Oncologie virale, Institut Pasteur, 28, rue du Docteur Roux, F-75724 Paris
Cedex 15, France

Centro Nacional de Microbiologia, Virologia e Immunologia Sanitarias,
Majadahonda, Madrid, Spain

National Reference Centre for AIDS, Athens School of Hygiene, Athens, Greece

Institut de Médecine Tropicale "Prince Léopold", Nationalestraat 155, B-2000
Antwerp, Belgium

Department of Virology, Istituto Superiore di Sanità, Laboratorio di Virologia, Viale
Regina Elena 299, 00161 Rome-Nomentano, Italy

National Institute for Biological Standards and Control, Hampstead, London NW3
6RB, United Kingdom

D.I. Ivanovsky Institute of Virology, 16, Gamaleya Street, 123098 Moscow, Union
of Soviet Socialist Republics

Eastern Mediterranean region

Faculty of Medicine, Department of Virology, Kuwait University, Kuwait

National Institute of Health, Islamabad, Pakistan

US Naval Medical Research Unit, No 3 (NAMRU 3), c/o American Embassy,
Cairo, Egypt

Western Pacific region

National AIDS Reference Laboratory, Fairfield Hospital, Yarra Bend Road,
Fairfield, Victoria 3078, Australia

Institute for Virus Research, Kyoto University, Sakyo-ku, Kyoto 606, Japan

Department of Pathology, Singapore General Hospital, Singapore

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SPECIAL PROGRAMME ON AIDS

STRATEGIES AND STRUCTURE
PROJECTED NEEDS

WORLD
HEALTH
ORGANIZATION

MARCH 1987

Executive Summary

The AIDS pandemic is an international health problem of extraordinary scope and unprecedented urgency. The World Health Organization recognizes its responsibility to mobilize international energies, creativity and resources for global AIDS prevention and control. The *Special Programme on AIDS* has been created as the focal point for WHO's global AIDS prevention and control strategy.

The Programme's goals are to prevent HIV transmission and to reduce morbidity and mortality from HIV infections.

Accordingly, the Programme will: support and strengthen *national AIDS programmes* throughout the world; and provide *global leadership*, help ensure *international collaboration* and pursue *global activities* of general value and importance.

During 1987:

- Through its Special Programme on AIDS WHO will collaborate with **50 Member States** to provide urgent and short-term support to national AIDS programmes.
- **Global activities**, already proceeding at an intense level, will accelerate further as Programme staff are recruited.

For this, in 1987, the Special Programme on AIDS will require:

- **Substantially increased personnel**, including 20 headquarters, 16 regional and 10 national level staff.
- **A budget of $37.12 million**, of which 73% is for national programme support and 27% is for global activities.

The World Health Organization is committed to global AIDS prevention and control. Member States, international agencies and organizations, and scientific leadership have responded extremely favourably to WHO's conceptualization of the global problem and to the early work of the Special Programme on AIDS.

The Special Programme on AIDS is now developing rapidly, is already collaborating in support of national programmes in over 15 Member States, and has stimulated considerable national and international scientific and programmatic momentum.

For 1987, and for the future, the Special Programme on AIDS requires an exceptional level of support, in order to fulfill its critical role in the difficult, complex and costly effort to achieve global AIDS prevention and control.

I Introduction

The worldwide epidemic of human immunodeficiency virus (HIV)[1] and related retroviruses is an international health problem of extraordinary scope and unprecedented urgency (Annex I - Overview of the HIV Pandemic).

From the early to mid-1970s, when the global spread of HIV appears to have started, until the early 1980s, when HIV was first identified, the pandemic was silent. During the mid-1980s, the international health dimensions of the HIV problem became abruptly evident. Now, in the mid and later 1980s, an extraordinary and astonishingly diverse range of impacts of the HIV phenomenon - psychological, social, cultural, economic and political - have started to appear.

The global response to HIV has been characterized by a series of delays in recognizing the HIV pandemic, the range of HIV-associated morbidity and mortality, and the broad spectrum of effects on individuals, families, and societies. There is now widespread realization that the implications of AIDS in terms of human suffering, costs for health services and social impact are devastating.

The World Health Organization recognized the extraordinary dimensions of this threat to global health and its responsibility to mobilize urgently national and international energies, creativity and resources for global AIDS prevention and control.

In May 1986, the World Health Assembly, in resolution WHA39.29, requested the Director-General to explore ways of increasing the extent and types of WHO cooperation with Member States in combating this epidemic, and to mobilize extrabudgetary resources for this purpose. In January 1987 the WHO Executive Board, supported the priority accorded by WHO to this global health problem and endorsed the strategy adopted for the WHO Special Programme on AIDS.

The World Health Organization is committed to global AIDS prevention and control, as publicly stated by its Director-General in November 1986. This commitment urgently requires extraordinary energy and resource in order to respond and react to current needs and problems. However, this commitment also mandates a growing capacity to predict, to prepare, and to lead.

The Special Programme on AIDS (SPA), which was formally established on 1 February 1987, is the vehicle for the World Health Organization's critical role in global AIDS prevention and control.

The scope and complexity of the problem calls for an unparalleled involvement of *all sectors of the international community*. The response to this call has been prompt and highly supportive.

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[1] The name "human immunodeficiency virus" has replaced the earlier names for the "AIDS virus", including "Lymphadenopathy-associated virus" and "Human T-lymphotropic virus type III". The related retroviruses include LAV-2, HTLV-4 and other recently recognized retroviruses infecting humans and which are related to HIV; in this document, "HIV" stands for all of these viruses. In addition, "AIDS" refers either to the specific clinical entity, "Acquired Immunodeficiency Syndrome", or, as in the Programme title, to represent the entire health problem associated with HIV infection.

In the UN system close working links have already been established with several organizations, in particular UNDP, UNESCO, UNICEF, UNFPA, and the World Bank.

International agencies participated actively in the two previous meetings of participating parties.

The scientific community is very actively involved, as are a growing number of non-governmental organizations.

For 1987 and for the future, the Special Programme on AIDS requires an exceptional level of support in order to fulfill its critical role in the difficult, complex and costly struggle for global AIDS prevention and control.

This document presents the Special Programme on AIDS and describes its goals, strategies, organization, 1987 operational plans, resource implications, and projected needs for 1987-1991.

II Programme Goals

- to prevent HIV transmission
- to reduce morbidity and mortality associated with HIV infection

III Programme Strategies

The conceptual framework for the Programme is contained in the six strategies listed below. Annex II provides a more detailed breakdown of ongoing and foreseen activities for each of these strategies during 1987-1989 and Annex III provides information on the associated performance indicators to be used.

1. Prevention of sexual transmission

Worldwide, sexual transmission accounts for the majority of HIV infections. Sexual transmission of HIV can occur from any infected person to his or her sexual partner. Prevention of sexual transmission will require education and information leading to long-term changes in sexual behaviours.

2. Prevention of transmission through blood

Prevention of transmission through blood transfusion

In many parts of the industrialized world, all blood for transfusion is now screened for HIV antibodies. In these areas, two challenges remain:
(a) monitoring for newly detected human retroviruses; and (b) developing increasingly sensitive and specific tests for HIV in blood.

However, throughout most of the developing world, blood for transfusion is not screened for HIV antibodies. The technology to prevent HIV infection through blood transfusion exists, but it must be applied wherever in the world it is needed. In areas where HIV infections are epidemic, screening of blood is an urgent priority.

Prevention of transmission through blood products

Techniques to ensure safety of blood products have been developed. However, monitoring the safety of these products remains important, along with development of methods to further increase safety.

Prevention of transmission through injections and skin-piercing instruments

HIV transmission through these routes is important in three distinct settings: (a) intravenous drug abuse; (b) injections and use of other instruments in medical practice; (c) injections and use of other instruments outside medical practice.

HIV has demonstrated potential to create explosive epidemics among communities of intravenous drug users. Intravenous drug users are not only epidemiologically important in themselves, but also may provide a "bridge" for HIV sexual transmission to the general population.

While HIV can be readily inactivated using specific chemicals or heat, tremendous efforts will be required to ensure the sterility of equipment for all injections or other uses of skin-piercing instruments in medical practice.

Outside the established medical practice system, injections and other skin-piercing practices appear to be frequent. The safety of injections and other practices performed outside the medical system must also be assured.

Prevention of transmission through organ and semen donation

Transmission through organ or semen donation can be prevented with existing HIV screening and detection technology.

3. Prevention of perinatal transmission

Perinatal transmission follows infection of women of childbearing age, usually through heterosexual spread. Pregnancy may accelerate the progression to AIDS in women already infected with HIV. In addition, approximately half of the infants born to HIV-infected women will be infected before, during, or shortly after birth.

4. Prevention of transmission from HIV-infected persons through use of therapeutic agents

Drugs may be discovered that can eliminate HIV or at least reduce the amount of HIV in the body. If such drugs were discovered and developed, the contagiousness of HIV-infected persons could be reduced or eliminated.

5. Prevention of HIV transmission through the development and delivery of vaccines

A vaccine capable of protecting against HIV infection would be the ideal prevention technology.

6. Reduction of impact of HIV infection on individuals, groups and societies

The psychological, family, economic, cultural, social and political impacts of HIV are enormous. Persons already HIV infected, with or currently free of clinical illness, must be assisted, along with their sexual partners, households, and others in their environment. The morbidity and mortality from HIV infection must be reduced.

IV Programme Organization

The Special Programme on AIDS (SPA) is attached directly to the Office of the Director-General. The overall structure of the Programme is reflected in Fig. 1, page 7. Annex IV provides a detailed list of functions for each organizational component and a description of the organizational bodies described below.

1. SPA's major components include:

National Programme Support

- To provide technical and financial support to Member States, in collaboration with Regional Offices, in the planning, design, implementation, strengthening, monitoring and evaluation of all components of national AIDS prevention and control programmes.

Health Promotion

- To develop, promote and assist in the design, implementation, monitoring, and evaluation of health promotion interventions which utilize behavioural change strategies and communication techniques.

Research and Development

- To coordinate, promote and support biomedical, epidemiological, social, behavioural and operational research and development.

Surveillance, Forecasting and Impact Assessment

- To promote, support and coordinate the data collection and analysis to describe current and predict future HIV infection trends, along with associated social, economic and demographic impacts and implications for intervention.

Administrative Services

- To provide technical services and administrative support to SPA.

2. Programme staff support

- Given the enormity and the urgency of the task, the staff structure needed for effective implementation of the Programme will be substantial. The projected needs are spelled out in sections V and VI.

- At WHO/HQ level the SPA Programme staff is already being organized into teams, one for each of the major Programme components. The type of expertise needed in these teams is reflected in the tentative organizational chart (Fig. 2). These teams will also be able to draw on expertise in other WHO Programmes for collaboration on issues within their respective areas.

- Given the technical complexity of the problem and the need to rapidly stimulate and support the national programmes there will be a need for WHO/SPA technical staff in a large number of participating countries and in all Regional Offices.

- A large pool of consultants with expertise and experience in all the relevant areas has already been identified, and this pool is constantly growing.

Fig. 1 Organizational Chart of the WHO Special Programme on AIDS

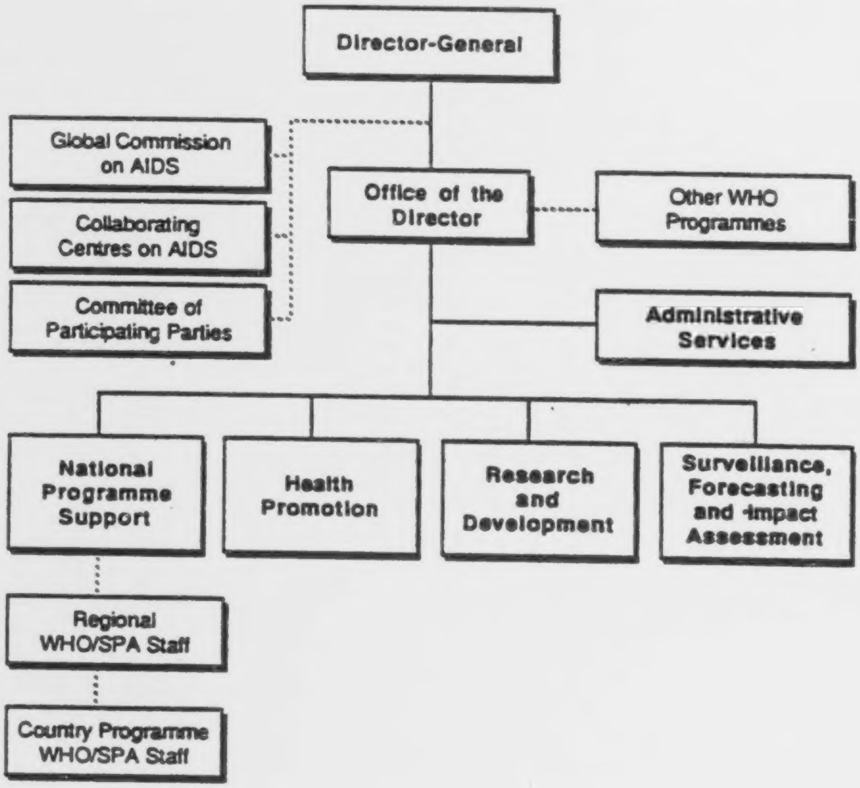
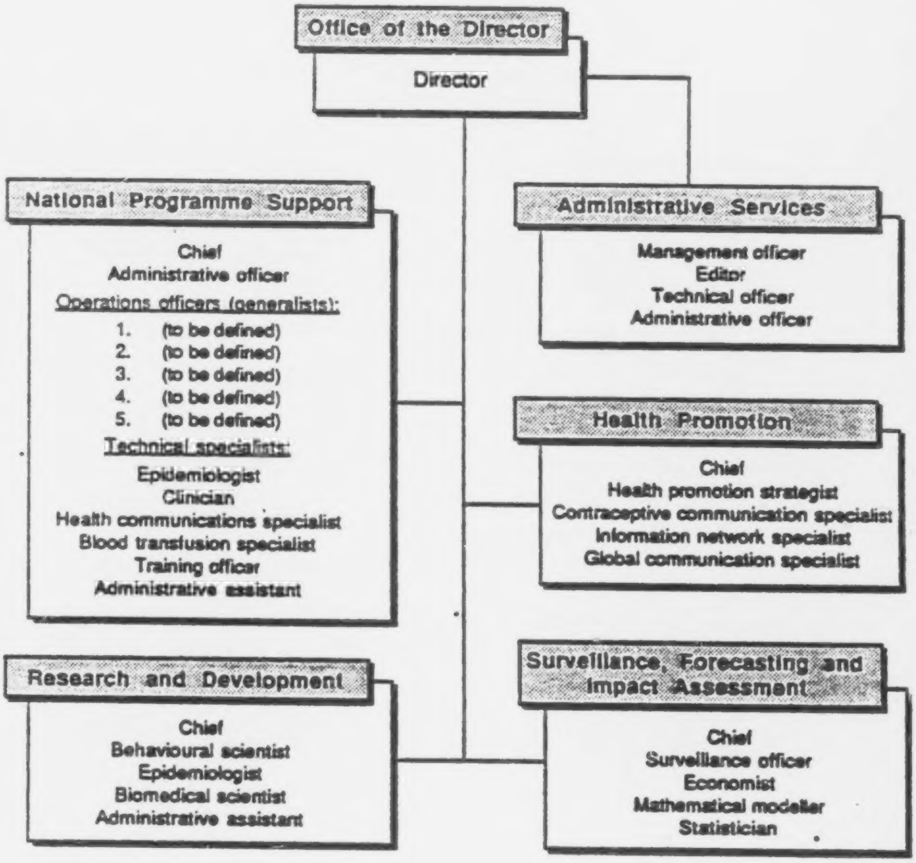

Director-General
Global Commission on AIDS
Collaborating Centres on AIDS
Committee of Participating Parties
Office of the Director
Other WHO Programmes
Administrative Services
National Programme Support
Health Promotion
Research and Development
Surveillance, Forecasting and Impact Assessment
Regional WHO/SPA Staff
Country Programme WHO/SPA Staff

Fig. 2 **Provisional Staffing Requirements for Optimal Programme Support at Headquarters**


Office of the Director
Director
National Programme Support
Chief
Administrative officer
Operations officers (generalists):
1. (to be defined)
2. (to be defined)
3. (to be defined)
4. (to be defined)
5. (to be defined)
Technical specialists:
Epidemiologist
Clinician
Health communications specialist
Blood transfusion specialist
Training officer
Administrative assistant
Administrative Services
Management officer
Editor
Technical officer
Administrative officer
Health Promotion
Chief
Health promotion strategist
Contraceptive communication specialist
Information network specialist
Global communication specialist
Research and Development
Chief
Behavioural scientist
Epidemiologist
Biomedical scientist
Administrative assistant
Surveillance, Forecasting and Impact Assessment
Chief
Surveillance officer
Economist
Mathematical modeller
Statistician

Secretarial staff for the Programme will be recruited on the basis of a 2:3 ratio.

3. In addition, three organizational bodies are proposed to provide additional review, support and guidance to SPA:

Global Commission on AIDS

- To review and interpret global trends and developments related to HIV; to review and evaluate, from a scientific, technical and operational standpoint, the content and scope of the Programme; to advise WHO regarding short, medium and long-term priorities in the research and operational components of the Programme.

Committee of Participating Parties

- To assist the Director-General by: (a) reviewing the progress, plans and budgetary projections of the Programme; (b) reviewing other aspects of the Programme, including ways in which its activities can be coordinated with other organizations and activities.

Collaborating Centres on AIDS

- To form part of an international network providing support services to the Programme.

V Proposal for 1987

A complete list of proposed activities by strategy for 1987 is included in Annex II and the performance indicators to be used by the Programme are listed in Annex III.

The WHO Special Programme on AIDS has two major tasks:

- to support and strengthen national AIDS programmes throughout the world;
- to provide global leadership, help ensure international collaboration, and pursue global activities of general value and importance.

1. National programme support

The national programme

Regardless of its current estimate of HIV activity, every country in the world needs a national AIDS programme. The components of a national AIDS programme have previously been outlined (AIDS/CPA/86.2), and include:

- national willingness to engage in a national AIDS programme;
- creation of a broadly representative national AIDS committee;
- initial epidemiological assessment to determine the extent of the HIV problem;
- initial resource assessment to determine the ability of the existing health system to support the national AIDS programme;
- establishment of AIDS surveillance and HIV serosurveillance;
- development of in-country laboratory capability to support epidemiological surveillance and clinical diagnostic work;
- strengthening of national health systems' capacity to recognize, diagnose and manage HIV infections and associated clinical manifestations;
- educational programmes and services for health care workers at all levels;
- prevention programmes directed towards prevention of:
  - sexual transmission
  - transmission through blood transfusion
  - transmission through blood products
  - transmission through injections and other skin-piercing instruments
  - transmission through organ and semen donation
  - perinatal transmission
  - programmes to reduce the individual, family and social impact of HIV infections

Experience and pragmatic concepts

During 1986, the Programme gained valuable experience through working with many Member States, United Nations and other international agencies and organizations, and other WHO Programmes, as well as through extensive discussions with scientists and scientific institutions.

Accordingly, in developing plans for 1987, WHO/SPA has taken the following pragmatic concepts into consideration

(i) National willingness to initiate and support a national AIDS prevention and control programme varies greatly but may change rapidly. Accordingly, the number of countries wishing to collaborate actively with WHO and the scope of that collaboration will vary geographically and over time.

(ii) WHO must work actively to promote awareness of the need for national AIDS programmes in Member States, regardless of the apparent level of current HIV infection. Member States not yet experiencing or aware of significant HIV transmission must be supported as aggressively as Member States already experiencing epidemic HIV infection.

(iii) **To establish or strengthen national AIDS programmes, WHO/SPA must be prepared to support:**

- a series of *urgent* actions;
- *short-term* (first year) planning and actions;
- *medium-term* (3-5 year) planning and support.

(iv) **AIDS prevention and control must be integrated into primary health care**, for example, through surveillance and laboratory infrastructure strengthening, integration into training programmes for health and other sectoral workers, involvement with programmes for family planning and sexually transmitted diseases, health promotion, EPI and primary medical care activities. However, the urgent and unprecedented nature of the HIV epidemic requires a strong initial focus and targeted commitment to AIDS prevention and control.

(v) Rapid scientific advances and changes in social attitudes towards AIDS (including country level of interest in AIDS prevention and control) mandate that SPA maintain an unusual degree of organizational and fiscal flexibility. Opportunities for effective national and international collaboration must be sought and exploited rapidly.

(vi) **SPA faces daunting technical, administrative (including personnel) and logistic challenges.** Innovative approaches will have to be developed, given the nature of the HIV problem, its inherent uncertainties and the urgency with which it must be addressed. SPA's ability to reach its goals will depend heavily upon successful resolution of many logistic and administrative challenges.

Operational priorities

During 1987, SPA proposes to assist 50 Member States with *urgent* and *short-term* support.

Member States will be identified for priority action according to:

- national acceptance and awareness of the importance of AIDS and expressed commitment to create and maintain a national AIDS prevention and control programme;

- gravity of the HIV situation, based on available national data and knowledge of the regional epidemiological situation;

- potential for prevention of HIV infection (primary prevention) for large segments of national populations;

- the extent to which WHO's contribution will be essential in promoting national programme design and implementation;

- global representation, to ensure that all geographic areas may be assisted, including areas not yet faced with an HIV problem but with a need to develop the necessary alertness and prevention programmes;

- potential for evaluation of programme activities and impact on HIV transmission, in order to maximize knowledge gained from operational experience;

- ability and willingness of national authorities to utilize non-governmental organizations (NGOs) as well as a broad range of health, education and social service sectors as part of the AIDS prevention and control plan.

Collaboration with Member States in 1987 is divided into ***urgent*** actions which can be undertaken immediately and ***short-term*** support which requires development of a national plan for AIDS prevention and control. These activities represent the initial phases of SPA support to national programmes.

Urgent actions:

- confirm and reinforce political commitment for national AIDS programme;

- provide guidance on, and if necessary support for, establishment of national AIDS committee;

- identify and provide immediate technical and/or financial support in the following areas:
  - initial epidemiological assessment
  - initial resource assessment
  - strengthening and prompt implementation of existing programmes for education of health care workers
  - strengthening and prompt implementation of existing programmes for public education and information

Short-term support:

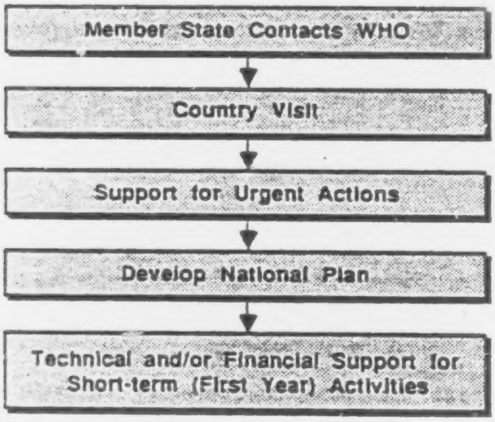
- assist in developing and strengthening the national plan for AIDS prevention and control;

- based on the national plan, provide technical and/or related financial support in the design and implementation of the following activities:
  - further epidemiological assessment
  - epidemiological surveillance
  - laboratory capability for diagnosis and support of epidemiological surveillance and studies
  - educational programmes for health care workers at all levels
  - prevention programmes:
    - sexual transmission: public health communication programmes, including condom promotion and distribution
    - blood: HIV screening for blood transfusions; programmes to ensure sterilization of needles, syringes and other skin-piercing instruments; programmes to prevent HIV transmission among intravenous drug users
  - programmes to reduce impact of established HIV infections:
    - counselling programmes for HIV infected persons, their sexual partners, household members and other persons in their social environment
    - educational programmes for health care workers

- identification and more extensive support of "model prevention programmes" at the national or local level will also be considered in the areas of public health communication, blood transfusion, injections/skin-piercing instruments, counselling and maternal and child health care.

The National Programme Support unit, in close association with regional offices, provides technical and related financial support to Member States. Collaboration with the national AIDS programme begins immediately follow-ing agreement between the Member State, the Regional Office, and SPA (often crystallized during a rapid on-site visit by SPA and/or Regional Office staff).

In summary, initial WHO action proceeds as outlined below:


Member State Contacts WHO
Country Visit
Support for Urgent Actions
Develop National Plan
Technical and/or Financial Support for Short-term (First Year) Activities

Medium-term planning and support

The national plan also provides the basis for medium-term (3-5 year) strategies and activities. According to national capability and resource availability, the national AIDS programme will be supported to ensure:

(i) **strengthening and consolidation of major Programme components:**
- surveillance
- laboratory support
- education of health care workers
- prevention programmes:
  sexual, blood and perinatal transmission
  reduction of impact of established infections

(ii) **evaluation capability for major Programme components;**

(iii) **extension and broadening of prevention programmes to include:**
- integrated public health communication programme
- effective linkages with all relevant primary health care sectors and NGO activities

(iv) **development of methods to assess and monitor the economic and social impact of HIV;**

(v) **participation in regional and global AIDS prevention and control network**, to ensure collaboration, information exchange and full access to new data, strategies, materials and technology.

2. Global activity priorities

Through SPA, WHO will provide global leadership, help ensure international collaboration, and pursue global activities of general value and importance. Headquarters and Regional Offices will collaborate in developing strategies, materials and data for global use and regional adaptation.

1987 priorities include:

(i) develop and disseminate global messages and prototype materials on AIDS and its prevention and control;

(ii) develop and promote international consensus in the following areas:
- clinical trials for AIDS vaccine
- therapeutic trials in international context
- HIV and international travellers
- HIV and employee health issues
- HIV screening issues and programmes
- exchange of scientific reagents (viruses and sera)

(iii) establish active information exchange system to support Member States (Ministries of Health, national AIDS committees);

(iv) epidemiology and impact assessment:
- expand international surveillance for AIDS and HIV infections
- develop modelling capability to improve estimates and tools for national and international analysis of the HIV pandemic
- promote international collaborative surveys of HIV infection

(v) promote, coordinate and support research on:
- sexual behaviour, including condom use
- operational aspects of HIV screening of blood
- new HIV screening technologies
- prevention of HIV infections among intravenous drug users
- HIV epidemiology, modes of transmission, risk factors
- counselling strategies
- epidemiological modelling
- methodology for assessment of social and economic impact of HIV
- vaccines and therapeutic agents
- health care and patient management issues
- community knowledge and attitudes

(vi) laboratory support for research and prevention:
- establish network ("banks") for storage and exchange of geographically and temporally representative retroviral isolates and reference sera
- establish laboratory performance criteria for HIV screening tests in developing world, protocols for evaluation of new tests, and required serum panels

(vii) consolidate and publish guidelines and supporting materials:
- national plan development
- initial epidemiological assessments
- serosurvey methodology
- educational strategies for prevention of sexual transmission of HIV
- prevention of sexual transmission
- medical assessment and follow-up of HIV seropositives in developing countries
- counselling of HIV infected persons, their sexual partners, family and others
- sterilization techniques vis-à-vis HIV
- prevention of HIV transmission for health care workers at all levels
- information/education of general public about AIDS and HIV

(viii) organizational development:
- recruit core staff in Headquarters, Regional Offices and for assignment to Member States
- develop organizational capability for:
- identification and training of consultants
- provision of immediate support to Member States, including HIV laboratory equipment and supplies and condoms
- organize Global Commission on AIDS and Committee of Participating Parties
- establish management information system
- strengthen linkages within WHO and with UN agencies and other international agencies, including NGOs
- fund-raising
- establish public information system

3. Personnel and financial implications

Personnel requirements

SPA will immediately require professional staff at ***headquarters***, ***regional office*** and ***country*** levels (see section IV, Figs. 1 and 2).

Headquarters staff

During the first year SPA estimates a need for 20 professionals to develop, implement and monitor national support and global activities. Support staff will be allocated according to a standard 2:3 support/professional ratio. Professional staff would include medical officers, epidemiologists, nurses, and experts in public health communications, health planning and administration, social science, laboratory and blood transfusion systems, and informatics. These staff needs have been temporarily and partly met through secondments from other WHO Programmes in order to launch activities while developing the infrastructure.

Regional Office staff

Regional Office capability to assist national programmes as well as headquarters in the design, implementation and evaluation of SPA activities must be strengthened. In 1987, SPA resources would support 16 professional positions in Regional Offices (1 to 4 in each Regional Office), including epidemiologists, laboratory specialists and public health communication specialists.

National staff

Following evaluation of national AIDS programme needs and discussions with Regional Offices, SPA will propose as required, assignment of one or more professional staff to assist national programme design, implementation and evaluation at the national level. WHO/SPA staff based in Member States could include: technical officers and/or epidemiologists, laboratory or public health communications specialists.

Financial Implications

Key variables

SPA financial requirements for 1987 will depend upon:

- **the number of countries in active collaboration with WHO:** SPA estimates that approximately 50 Member States can be provided with technical and/or related financial support during 1987.

- **specific situation in Member States requesting collaboration:**
  - the extent of their urgent and short-term requirements
  - the availability of other (national, bilateral, NGO) support
  - the extent of national infrastructure

Experience thus far suggests that Member States will generally require between *$250 000* and *$500 000* (on average, *$375 000*) for their first-year activities.

1987 Budget (in $US)

National programme support	
50 member states x $ 375 000	$18.75 million
Staff assigned to Member States[1]	$2.00 million
Staff assigned to Regional Offices	$2.96 million
Subtotal	$23.71 million
Global activities	
Priority activities	$4.18 million
Staff in Headquarters	$4.40 million
Subtotal	$8.58 million
Indirect costs (13%)	$4.82 million
Total 1987 budget	**$37.12 million**

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[1] All staff positions to be created during 1987 require a minimum of two year funding when established. Professional staff are budgeted at $80,000 per annum and support staff are budgeted at $20,000 per annum (regional and national-based positions) or $40,000 per annum (headquarters-based positions).

VI Projected Programme Development and Needs: 1987 - 1991

1. Projections: the HIV pandemic

There is a pressing need for international collaborative seroepidemiology and for development and collection of epidemiological data throughout the world. While awaiting the findings and exchange of information from these studies, projections of HIV infection and associated morbidity and mortality during the next 5 years must be made with caution.

In particular, there are at present inescapable uncertainties regarding:

- progression and scope of HIV infection worldwide;
- medium and long-term outcome (natural history) for HIV-infected persons;
- progress towards development of vaccine and therapeutic agents;
- responses to prevention messages and extent of resulting sustained behavioural changes;
- social and political reactions to the HIV pandemic;
- emergence and spread of HIV-related retroviruses.

Nevertheless, for planning purposes, SPA has made the following assumptions for the period 1987-1991:

- HIV infection will continue to spread geographically and HIV prevalence will also increase in already affected areas;
- 500 000 to 3 million new AIDS cases may occur during the period 1987-91 among persons already infected by HIV in 1986;
- the majority of HIV-infected persons will develop AIDS, or HIV-associated diseases (including HIV neurological problems) during the 5 to 10 years after infection;
- additional health problems, most probably including cancers and auto-immune diseases, will be recognized as complications of HIV infection;
- worldwide, 50 to 100 million persons may be HIV infected by 1991;
- the outcome of HIV infection may be improved by agents to reduce the rate of progression from infection to disease. nevertheless, the morbidity and mortality associated with HIV infection will continue to be important;

- vaccine will not be available for use in large populations;
- national AIDS prevention and control programmes will be created in most, if not all countries;
- responses to prevention messages may be substantial, with some demonstrable changes in risk behaviours in many populations;
- societal stresses associated with HIV infection and disease will increase dramatically, leading to strong social and political pressure for additional measures to prevent infection;
- other pathogenic human retroviruses will be discovered, possibly in several areas of the world.

2. Special Programme on AIDS: 1987-1991

In response to the anticipated progression of the HIV pandemic and to unprecedented concern regarding HIV infection at national and international levels during 1987-1991, SPA must be prepared for substantially increased activity and additional roles and responsibilities.

The Special Programme on AIDS will provide global leadership in:

- developing and promoting strategies and models for long-term AIDS prevention and control;
- developing intensified surveillance, monitoring and trend assessment capabilities for the HIV pandemic and for its broad range of social, cultural and economic impacts;
- developing a global resource network to ensure sharing of data, experience and technologies;
- expansion of prevention and control strategies to include the broad category of pathogenic human retroviruses;
- developing global strategies and programmes for:
  - therapeutic agent development, distribution, delivery and evaluation
  - vaccine development, quality control, distribution, delivery and evaluation
- promoting effective and humane strategies for:
  - prevention of HIV transmission
  - management and care of HIV-infected persons
- promoting international exchange and collaboration, as well as support for, expending areas of biomedical, epidemiological, economic, operational, and particularly social and behavioural research.

The Special Programme on AIDS will provide global leadership for a steadily enlarging consortium of assistance and development agencies, institutions and programmes, whose resources will be

marshalled in support of national AIDS prevention and control programmes.

- WHO will collaborate actively with over 100 national AIDS programmes, including:
  - ongoing technical support
  - ongoing operational support, including country-based staff
  - programme evaluation

- The nature and scope of SPA collaboration with Member States will vary considerably from country-to-country and over time.

- At a minimum, SPA can support Member States in the planning, monitoring and evaluation of their national AIDS programmes.

- SPA will identify, train and deploy large numbers of technical consultants and staff for national posts.

In order to fulfill these global and national support responsibilities, SPA will **require substantial financial and personnel resources during the 1987-1991 period.**

The following table gives an indication of the estimated resource needs[1] based on the above assumptions:

Year	Financial Resources[1]	Personnel		
	$US	HQ	Regional Office	Member State
1987	37 m	20	12-16	10
1988	70 m	20-25	20	30
1989	150 m	25	20	50
1990	300 m	25-30	25	75
1991	650 m	30-35	25	100

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[1] not including direct costs for medical diagnosis, treatment, or vaccine.

Overview of the HIV Pandemic

1. Introduction

The worldwide epidemic of human immunodeficiency virus (HIV) and related retroviruses is an international health problem of extraordinary scope and unprecedented urgency.

Magnitude of the epidemic

- The present magnitude of the HIV pandemic and its broad impact have been seriously underestimated and underappreciated.
- The HIV pandemic affects both industrialized and developing countries.
- While further global spread and increasing HIV infection are certain to occur, the evolution of the HIV pandemic cannot be accurately predicted at present.

Health Outcomes

- HIV infection is an adverse health outcome of profound importance for the individual, the family and society.
- HIV infections threaten the health gains that had been projected in the developing world.

Social Impact

- The personal, social and economic costs of the HIV pandemic are enormous.
- The HIV pandemic threatens development through its impact on 20 to 40 year olds and its effects on infant and maternal mortality.
- The social impact and societal stresses from the HIV pandemic are already extraordinary and will rapidly become increasingly profound.

Prevention and Control

- International and national HIV control will require long-term effort and commitment.
- Neither vaccine nor therapy for large populations is likely to become available for at least several years.

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[1] The name "human immunodeficiency virus" has replaced the earlier names for the "AIDS virus", including "Lymphadenopathy-associated virus" and "Human T-lymphotropic virus type III". The related retroviruses include LAV-2, HTLV-4 and other recently recognized retroviruses infecting humans and which are related to HIV; in this document, "HIV" stands for all of these viruses. In addition, "AIDS" refers either to the specific clinical entity, "Acquired Immunodeficiency Syndrome", or, as in the Programme title, to represent the entire health problem associated with HIV infection.

- Education is the key to preventing further spread of HIV.
- HIV control must be part of primary heath care.

HIV infection represents an unprecedented challenge; an unprecedented and coordinated global response to the pandemic is urgently required.

2. Trends

Numbers of reported cases of the Acquired Immunodeficiency Syndrome (AIDS) and countries reporting AIDS have increased dramatically. As of December 1982, 711 AIDS cases were reported to WHO from 16 countries; by 19 February 1987, 40 770 AIDS cases were reported from 91 countries representing all continents.

Aids Cases Reported to WHO

by 19 February 1987

Continent	Number of Cases	Number of Countries
Africa	2 576	18
Americas	33 145	33
Asia	103	12
Europe	4 542	26
Oceania	404	2
Total	**40 770**	**91**

Reticence in reporting of cases from some areas, combined with under-recognition of AIDS and under-reporting to national health authorities, has meant that the number of reported AIDS cases represents only a fraction of the total cases to date; these are estimated to be in excess of 100 000. WHO considers the number of countries officially reporting cases to be more indicative of the geographical extent and more relevant to an assessment of the scope of the HIV pandemic than the number of reported cases. In addition, due to the long incubation period (up to six years or longer) from HIV infection to the development of clinical disease, the number of AIDS cases provides, at best, an inaccurate and at worst, a misleadingly optimistic view of the real extent and intensity of HIV infection.

WHO estimates that between 5 and 10 million persons are currently infected with HIV. In some areas of the world, 4-15 percent of healthy adults in the general population are already HIV-infected; up to 60-80 percent of persons in various high risk groups are HIV-infected.

3. Outcome of HIV infection

The fate of these HIV-infected persons remains unknown, as scientific knowledge about the natural history of HIV infection is limited to the 5-7 year observation period that has elapsed since AIDS was first described.

Three major HIV-associated outcomes have already been distinguished:

- AIDS
- AIDS-related illnesses
- HIV neurological disease

The eventual spectrum of HIV-associated diseases may be broad, including other potential consequences of immune dysfunction including cancers or autoimmune diseases.

During a five year period:

- 10 to 30 percent of all HIV-infected persons can be expected to develop AIDS;
- 20-50 percent will develop AIDS-related illnesses;
- the proportion of infected persons who will develop HIV neurological disease (particularly dementia) is unknown; however, an epidemic of progressive neurological disease among HIV-infected persons must be considered a realistic possibility.

Ultimately, the large majority of infected persons may suffer a severe adverse health outcome or death associated with HIV infection.

4. Epidemiology

Further spread of HIV is certain to occur, for several reasons:

- Persons with HIV are presumed to be infected for life; most will not develop any symptoms or evidence of illness for at least several years and will therefore be unaware of their infection, during which time they may transmit HIV to others.
- HIV is spread sexually (from any infected person to his or her sexual partner), as well as through blood (transfusions, injections, skin-piercing instruments) and from mother-to-child. This combination of modes of transmission means

that global spread is inevitable and that substantial segments of national populations may eventually be at some risk of exposure to HIV.

- HIV is already disseminated throughout the world, even though regional differences in current intensities of infection are quite important.

Finally, HIV may be the first of a series of retroviruses capable of infecting humans and producing immunosuppression. Recent recognition of additional pathogenic and immunosuppressive human retroviruses in West Africa and possible identification of an AIDS-like retrovirus in South America may herald the beginning of an even larger problem than the present HIV pandemic.

5. Vaccines and treatment

The prevention of HIV transmission would be facilitated by an effective vaccine capable of preventing infection, or a therapeutic agent able to reduce or eliminate the infectiousness of already infected persons. However, despite rapid advances in the early phases of vaccine development, a vaccine suitable for large-scale use is highly unlikely to become available prior to the mid-1990s. In addition, a vaccine has never been made against a human retrovirus and several retrovirologists have raised the possibility that vaccines currently under development may not be protective.

A recent clinical treatment trial among AIDS patients found that azidothymidine (AZT) prolonged life and was associated with clinical and immunological improvement. There were, however, side effects, including bone marrow suppression; longer-term benefits and risks of AZT treatment are currently unknown. AZT may nevertheless represent the first major step towards eventual development of safe and effective therapeutic agents. It is also possible that these agents could have a role in the treatment of asymptomatic HIV-infected persons, acting both to prevent progression to AIDS and reducing or eliminating their infectiousness.

Despite impressive technical and scientific advances, it is unlikely that either a vaccine or a treatment will become available to assist in controlling the pandemic of HIV infection during the next 5 years. The global progression of HIV mandates preventive action while waiting for technological (vaccine, treatment) advances. Therefore, at least during this initial period, prevention will rely primarily upon educational interventions designed to promote sustained behavioural changes.

6. Societal impact

The personal, social and economic costs of the HIV epidemic are enormous. Uncertainties regarding prognosis, along with fears and realities of exposure and ostracism may lead HIV-infected but asymptomatic persons to experience higher levels of stress than AIDS patients themselves. Family structure and function are threatened both by infection and the loss of mothers and fathers. The social and economic fabric is dramatically affected by the epidemic of illness and death among productive 20-40 year olds, which is typical of AIDS epidemiology in industrialized and developing countries. The HIV epidemic among sexually active women in Africa threatens to reverse the trends of declining infant and child mortality achieved through the Child Survival initiatives. The economic costs of AIDS are enormous. For example, in the United States, the total annual cost of direct medical care for AIDS patients in 1991 is estimated to reach 16 billion dollars. The combined impact of the HIV pandemic, of AIDS, AIDS-related diseases and neurological disease upon health care, insurance and legal systems, economic and social development and indeed entire cultures and populations is already extraordinary and will become increasingly profound.

The depth and extent of personal and public reaction to AIDS throughout the world has been considerable. Fears of AIDS and stigmatization of different groups (homosexual men, haemophiliacs, Africans, westerners, female prostitutes) have become common phenomena. Individual, family, group and social tragedies are occurring regularly as a result of fears, most often unjustified, about HIV infection and its spread. However, this remarkable response has been generated by only 30,000 AIDS cases in the United States, 4,000 European cases, and relatively few reported cases in many other countries. The potential societal stresses resulting from the occurrence of 270,000 AIDS cases in the United States by 1991, 25,000 to 30,000 European AIDS cases by late 1988, and increasing case and infection rates worldwide may be correspondingly great. The WHO estimates of 50-100 million HIV-infected persons worldwide by 1991 will be conservative if HIV penetrates and spreads through South America and Asia.

7. Prevention and control

The magnitude of the HIV pandemic and its broad impact have been seriously underestimated and underappreciated. However, during the second half of 1986, a major shift of perspective and opinion regarding the HIV pandemic has occurred in many North American, European and African countries. For example in Australia, Brazil, France, Italy, The Netherlands, the Scandinavian countries, the United Kingdom and the United States, statements by prominent health officials and dramatically increased financial commitments for AIDS prevention programmes testify to a growing awareness of the scope of the HIV problem at national levels. In Africa, during a meeting on AIDS in Brazzaville in November 1986, representatives from 37 countries agreed that action to control the epidemic of AIDS in Africa had to be given the highest priority.

In May 1986, the 39th World Health Assembly approved the creation of an AIDS programme within WHO (WHA 39.29) In November 1986, the Director-General of the World Health Organization announced that in the same spirit and with the same dedication to global purpose with which WHO undertook smallpox eradication, WHO is now committed to the more urgent, difficult and complex challenge of global AIDS prevention and control.

Strategies and Associated Activities: 1987 - 1989

1. Prevent sexual transmission of HIV

WHO strategy: Collaborate with Member States to develop and strengthen health promotion approaches leading to sustained changes in sexual behaviour.

WHO activities:

(1) Review current state of knowledge of risk factors related to sexual transmission to help define behavioural, operational and communication research issues.

(2) Stimulate, support and coordinate studies to determine risk factors for sexual transmission of HIV.

(3) Design and distribute generic models, prototype materials and guidelines for communication, education and community action programmes (in concert with activity 8, below).

(4) Promote and support country-specific epidemiological, behavioural and audience research studies needed to develop communication, education and community action plans.

(5) Provide technical consultation and financial support to strengthen, design, develop, implement and maintain communication, education and community action programmes for the general public, risk groups and other specific persons and groups.

(6) Promote and support complementary plans with non-governmental organizations and the private sector.

(7) Promote, coordinate and support the development, improvement and delivery of specific technologies (e.g., condoms and viricidal agents).

(8) Develop, coordinate and support the monitoring, evaluation, and active exchange of communication, education and research strategies, models and prototype materials.

(9) Design, develop and assist in the implementation of monitoring and evaluation systems at the country level, including analysis of recurrent costs.

2. Prevent HIV transmission through blood

Prevent HIV transmission through blood transfusions

WHO strategy: Collaborate with Member States to develop and strengthen (a) blood transfusion systems to ensure appropriate collection, screening and use of blood and (b) counselling and medical evaluation services (pre- and post-donation).

WHO activities:

(1) Strengthen and develop blood transfusion systems to ensure appropriate collection, screening and use of blood:

- develop generic guidelines and training materials;
- survey national and institutional blood collection and transfusion systems;
- develop and implement protocols to evaluate the need for HIV screening at institutional and national levels;
- stimulate, coordinate and support the development, improvement and delivery of HIV laboratory screening techniques;
- provide technical consultation to design, develop, strengthen and maintain blood transfusion systems and associated HIV screening;
- coordinate and support the provision of required equipment, supplies, training and recurrent costs for blood transfusion systems and associated HIV screening;
- coordinate and support operational research to delineate key logistic and economic issues;
- develop model monitoring and evaluation systems, including analysis of recurrent costs.

(2) Develop and strengthen counselling and medical evaluation services (pre- and post-donation):

- assist in the design, implementation and evaluation of donor deferral and pre-donation identification and counselling methods;
- develop guidelines and prototype materials for medical evaluation and counselling of seropositive donors.

Prevent HIV transmission through blood products

WHO strategy: Collaborate with Member States to ensure that blood products are produced in a manner which eliminates the risk of HIV transmission.

WHO activities:

(1) Develop uniform scientific criteria and establish WHO standards for heat inactivation, chemical treatments and serological testing of blood products.

(2) Develop guidelines to assist producing countries in ensuring that the blood used for the preparation of plasma derivatives is free of serological markers of HIV.

(3) Review manufacturing protocols to assess conformity with WHO standards and provide guidance to importing countries.

Prevent HIV transmission through injections and use of other skin-piercing instruments

WHO strategy: Collaborate with Member States to ensure the use of sterile needles, syringes and other skin-piercing instruments.

WHO activities:

(1) Stimulate, support and coordinate epidemiological studies to identify and quantify risk factors for HIV transmission among intravenous drug users and persons exposed through injections or other use of skin-piercing instruments.

(2) Conduct surveys of injection and other skin-piercing practices in medical and other settings.

(3) Stimulate, support and coordinate operational and behavioural research for programmes designed to limit unnecessary injections and promote use of sterile techniques for immunizations, injections and other use of skin-piercing instruments.

(4) Develop generic guidelines and materials to assist countries in identifying and educating groups at risk of HIV exposure through injections and other use of skin-piercing instruments.

(5) Develop generic guidelines and training materials directed to practitioners and others using needles and skin-piercing instruments.

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[1] Special attention will be directed to collaboration with the EPI Programme and UNICEF regarding the safety of childhood immunizations.

(6) Provide technical consultation and financial support for local and national programmes designed to limit unnecessary injections and ensure sterile techniques for immunizations, injections and other use of skin-piercing instruments.

(7) Design, develop and assist in the implementation of monitoring and evaluation systems, including analysis of recurrent costs.

Prevent HIV transmission through organ and semen donation

WHO strategy: Collaborate with Member States regarding the development and implementation of practices and policies to prevent HIV transmission through organ and semen donation.

WHO activities:

(1) Develop guidelines for organ and semen donation.

(2) Monitor the occurrence of HIV infections associated with organ or semen donation.

3. Prevent perinatal transmission of HIV

WHO strategy: Collaborate with Member States in the development, implementation and evaluation of interventions to reduce perinatal HIV transmission.

WHO activities:

(1) Stimulate, support and coordinate research to identify and quantify risk factors for and efficiency of perinatal transmission and to describe the natural history of maternal and fetal/infant infection.

(2) Develop consensus on current knowledge and research priorities and support behavioural and operational research relevant to strategies for prevention of perinatal transmission.

(3) Develop generic guidelines and prototype materials for communication, education and other approaches to the identification and counselling of HIV-infected women of childbearing age, for adaptation according to national policies and practices.

(4) Provide technical consultation and financial support to design, develop, strengthen and maintain local and national systems to reduce perinatal transmission.

(5) Design, develop and assist in the implementation of monitoring and evaluation systems.

4. Prevent transmission from HIV-infected persons through use of therapeutic agents

WHO strategy: Collaborate with institutions and Member States to develop, test, produce and deliver therapeutic agents.

WHO activities:

(1) Facilitate development of therapeutic agents by stimulating, supporting and coordinating meetings, research, exchange of information and other activities to identify and address scientific and technical issues.

(2) Establish, coordinate and support mechanisms to promote international scientific collaboration and social and ethical acceptability in the design, implementation, monitoring and analysis of field trials.

(3) Establish recommendations for the production and control of priority therapeutic agents.

(4) Develop feasible approaches to the delivery of therapeutic agents.

5. Prevent HIV transmission through the development and delivery of vaccines

WHO strategy: Collaborate with institutions and Member States to develop, test, produce and deliver vaccines.

WHO activities:

(1) Develop WHO-coordinated international bank for HIV and related retroviruses, serum, and related reagents.

(2) Facilitate development of vaccine by stimulating, supporting and coordinating research, meetings, exchange of information and other activities to identify and address scientific and technical issues.

(3) Establish, coordinate and support mechanisms to ensure international scientific collaboration and social and ethical acceptability in the design, implementation, monitoring and analysis of vaccine trials in humans.

(4) Establish recommendations for the production of and standards for vaccines.

(5) Develop feasible approaches to the delivery of vaccines.

6. Reduce impact of HIV infection on individuals, groups and societies

WHO strategy: Collaborate with Member States to develop and implement policies and practices to reduce the impact of HIV infection on individuals, groups and society.

WHO activities:

(1) Develop generic strategies and prototype materials for counselling of HIV-infected persons and their sexual partners, families and other relevant groups (e.g., schools, workplace).

(2) Promote, coordinate and support research related to implementation and evaluation of counselling strategies.

(3) Provide technical consultation and financial support for the development and strengthening of local and national programmes for medical management of, and psychosocial assistance to, HIV-infected persons.

(4) Promote, coordinate and support research factors associated with expression of HIV disease in HIV-infected persons (co-factors).

(5) Promote, coordinate and support research related to assessment of the economic and social impact of HIV.

(6) Develop and implement strategies to assist Member States in reducing the economic and social impact of HIV.

Performance Indicators by Strategy

1. Prevent sexual transmission of HIV

(1) Complete written review of risk factors for sexual transmission; define and prioritize communication, marketing and social science research areas; complete written reviews of background for these research areas.

(2) Define epidemiological research agenda and set priorities; establish active information exchange on studies on risk factors for sexual transmission.

(3) Develop and distribute recommendations for prevention of sexual transmission and associated generic information messages; review content of existing national materials and support materials improvement; fund local materials production and distribution; complete guidelines for development and implementation of communication and education interventions; produce and distribute guidelines (protocols) for targeted epidemiological, behavioural and marketing studies.

(4) Commission field studies in 10 countries.

(5) Conduct technical advisory missions to initiate interventions and planning process in at least 20 countries; assist 10 countries in initiating communication and education prevention interventions; support intercountry meetings on communication and education plans and programmes.

(6) Develop collaborative projects with NGOs and the private sector in at least 10 countries.

(7) Complete written reviews of condom and spermicide including: (a) efficacy vs HIV infection; (b) usage; (c) distribution; (d) manufacturing; (e) marketing issues; and (f) experience in sexually transmitted disease and family planning contexts; establish Consortium on Technologies to Prevent Sexual Transmission of HIV; organize international scientific meeting to review and evaluate effectiveness of currently available technologies in prevention of sexual transmission of HIV (late 1987); define research priorities and needs; develop global plan for increasing condom utilization addressing these research priorities and needs, including: (a) the estimation of current condom use and projected needs; and (b) establishment of consensus with manufacturers, scientists and distributors to determine how projected needs should be met; review standards for condom manufacturing; design and implement global condom promotion strategy, including global messages, prototype materials and condom distribution; develop and support national condom promotion strategies, including: (a) development of standard methodology (protocols) for assessment of condom use and practices; (b) support of 10 countries in conducting condom use assessment; (c) development of strategy for national

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[1] Performance indicators are linked to "WHO Activities" listed in Annex II.

condom promotion; and (d) support of 30 countries in implementing national condom promotion strategy, including condom purchase and distribution.

(8) Establish active interchange system for communication, education, and research strategies, models and materials.

(9) Conduct technical advisory missions to initiate interventions and planning process in at least 20 countries.

2. Prevent HIV transmission through blood

Prevent HIV transmission through blood transfusions

Blood transfusion systems to ensure appropriate collection, screening and use of blood:

(1) Publish and distribute guidelines on appropriate collection, screening and use of blood.

(2) Finalize survey instrument; and assist 10 Member States in carrying out surveys.

(3) Finalize and distribute evaluation protocol; and assist 30 Member States in implementation and analysis of evaluation protocol.

(4) Determine optimal performance parameters for tests in developing countries; establish mechanisms and assess HIV laboratory screening methods; establish mechanisms for promotion and support of screening methods adapted to the developing world; establish panels of reference sera; establish centralized system for purchasing of HIV antibody screening tests.

(5) Establish Consortium on Prevention of HIV Transmission through Blood Transfusions; develop consultant and technical resource base, including linkages with National Red Cross Societies and League of Red Cross and Red Crescent Societies; provide 40 Member States with technical consultation.

(6) Provide equipment, supplies and other support in selected areas, as per 40 Member States identified above.

(7) Finalize operational research protocols.

Develop and strengthen counselling and medical evaluation services (pre- and post-donation):

(1) Assist 5 Member States in assessing pre-donation screening.

(2) Publish and distribute standards and guidelines.

Prevent HIV transmission by blood products

(1) Establish standards and criteria.

(2) Issue guidelines.

Prevent HIV transmission through injections and use of other skin-piercing instruments

(1) Complete written review of epidemiology of HIV transmission among intravenous drug users and persons exposed through injections or other use of skin-piercing instruments; establish consensus on epidemiological, behavioural and operational research agenda; written review of worldwide data on intravenous drug users; consultation to identify research issues in immunizations and HIV including risks of transmission by immunization and risks of live vaccines to HIV-infected persons; written review regarding injections (other than immunizations) and other skin-piercing instrument practices in Africa, South America, and Asia; consultation on injection use (other than immunizations) and research agenda; support serological surveys among intravenous drug users in 20 countries.

(2) Develop methodology for surveys to describe and assess: (a) injection and other instrument exposures and practices (source(s) and numbers of injections; source(s) and numbers of exposure to other skin-piercing instruments; needle and instrument sterilization practices through observational studies); (b) hospital and clinic practices regarding needles and other instruments; (c) indications for injections by practitioners; and (d) consumer attitudes regarding injections; support surveys using standard methodologies as described above.

(3) Coordinate and support behavioural and operational research on intravenous drug user identification and interventions to prevent HIV transmission; establish active information exchange on intravenous drug users and programmes for prevention of HIV transmission.

(4) Prepare generic education guidelines and materials.

(5) Complete written review on sterilization methods vis-à-vis HIV; promote and support studies to refine these methods, as needed; issue guidelines and training materials for health workers delivery immunizations and other injections following generic guidelines.

(6) Support intervention programmes in 5 African, 2 South/central American and 2 Asian countries; assure the provision of adequate quantities of sterilization equipment for immunization devices; produce prototypes of self-destructible disposable injection equipment.

(7) Review and strengthen existing monitoring practices; assist in monitoring intervention programmes.

Prevent HIV transmission through organ and semen donation

(1) Develop and distribute guidelines.

3. Prevent perinatal transmission of HIV

(1) Complete written review of existing data on perinatal transmission and natural history of HIV infection; identify research priorities; establish active information exchange on studies of perinatal transmission and natural history of HIV infection; convene consultation on perinatal transmission by breast milk.

(2) Identify research needs.

(3) Develop guidelines and prototype materials for counselling of HIV-infected women of childbearing age; develop guidelines for prevention of perinatal transmission at national level.

(4) Conduct technical advisory missions to 10 countries; assist 5 countries in developing national systems.

(5) Assess existing national surveillance systems for perinatal transmission in 5 countries identified.

4. Prevent transmission from HIV-infected persons through use of therapeutic agents

(1) Convene meeting to review current activity and identify research priorities.

(2) Establish mechanism.

(3) Establish recommendations through above mechanism.

5. Prevent HIV transmission through the development and delivery of vaccines

(1) Complete organizational and logistic arrangements for international virus, serum and reagent banks.

(2) Establish working group on AIDS vaccines; convene meeting and establish priorities and implement plan; establish further committees and convene required seminars and meetings; deliver targeted communications to producers, producing countries and countries in which vaccines may be tested.

6. Reduce impact of HIV infection on individuals, groups and societies

(1) Publish and distribute generic guidelines and prototype materials.

(2) Identify research priorities; support research in priority areas.

(3) Assist programmes in 5 countries.

(4) Convene meeting to review existing data and identify research priorities.

7. Other activities

(1) National programme support including development of initial assessment guidelines; epidemiological assessments in 30 countries; development of national plan guidelines; review, strengthening and development of national plans in 50 countries; establishment of surveillance systems in 20 countries; review, strengthening and development of in-country laboratory capability (ELISA) in 20 countries; review, strengthening and support of education and training of health care workers.

(2) International travel including review of international travel issues, including tourists, students, long-term visitors, and sexual tourism; consultations (3) on international travel issues; development and dissemination of generic prevention messages for international travellers; establishment of active information interchange on policies and practices affecting international travel.

(3) Meetings including Global Commission on AIDS (2 in 1987); Committee of Participating Partners (1 in 1987); Network of Collaborating Centres (1 in 1987); Regional Meetings (7 in 1987); Support of travel to designated international meetings; Physician education exchange (Asia, South America, Middle East).

(4) Information exchange including reprint, library and reference service; information targeted to MOH, Regions, WRs; National AIDS Committee Network; NGO Network; National Education Ministry Network.

(5) Public information including production and dissemination of global informational materials including pamphlets, brochures and audiovisuals; production of film on AIDS in Africa; production and distribution of media kit; seminars for public information staff and media.

(6) Fund-raising and special events including organization of fund-raising among foundations and other NGOs; organization of special event(s) for awareness, informational and fund-raising purposes.

(7) Epidemiological surveillance, modelling and forecasting including collection and dissemination of surveillance data, including case reports and results of seroprevalence surveys and studies; development of epidemiological model; field test model in 5 countries; identification of key realizable data needs for

model improvement; support of epidemiological and other studies to address data needs identified above; development of simplified model for interactive planning at national level.

(8) Impact assessment including establishment of areas of research and concern (methodology and approaches); written reviews of available information in these areas; support of research protocols; coordination of meeting on social and ethical impact of AIDS, including historical aspects.

(9) Employee health including review of existing policies and issues; consultation on employee health issues.

(10) Consultant identification and orientation including identification of all relevant areas and issues; preparation of orientation programmes.

(11) Health worker education liaison including survey of relevant curricula practices and needs; development of modules to meet needs; support of development and dissemination of health worker material through NGOs.

(12) Programme STCs for country assignments.

(13) Other support services including informatics, translation, staff training and development.

(14) Regional activities including support of 1-4 staff persons for each region.

Focus and Functions of Organizational Components

1. National programme support

Focus: To provide technical assistance and financial support to Member States in the planning, design, implementation, strengthening, monitoring and evaluation of all components of national AIDS programmes.

Functions:

(1) Develop generic guidelines, for national and local adaptation, on the prevention and control of HIV infection.

(2) Develop generic guidelines for, and assist in the development of, national AIDS programme plans.

(3) Provide technical, financial and operational support to develop, strengthen and maintain:

- national AIDS committees, task forces and other planning and coordinating bodies and mechanisms;
- national epidemiological assessment and surveillance of AIDS;
- national assessment of human and technical resources currently and potentially available to the AIDS programme;
- laboratory diagnostic capabilities, including equipment, supplies, training and meeting of recurrent costs;
- education and training of health workers at all levels;
- programmes for counselling of HIV-infected persons;
- programmes for medical management and psychosocial assistance to HIV-infected persons;
- targeted communication and education interventions for risk groups and the general public;
- national systems for procurement and distribution of technologies to prevent HIV transmission;
- blood screening, collection and transfusion systems;
- evaluation of blood donor referral mechanisms and appropriate donor counselling techniques;

- systems to ensure appropriate use of injection equipment and other skin-piercing instruments, including educational strategies directed towards practitioners, high risk groups and the general public;
- monitoring, training, supervision and counselling mechanisms for reduction of perinatal HIV transmission;
- monitoring and evaluation systems for tracking progress of prevention and control activities, including analysis of recurrent costs, and information exchange systems on those activities.

2. Health promotion

Focus: To develop, promote and assist in the design, implementation, monitoring, and evaluation of health promotion interventions which utilize behavioural change strategies and communication techniques.

Functions:

(1) Establish guidelines for health promotion interventions at global, regional and national levels.

(2) Design, develop, support and coordinate targeted communication, social science and audience research.

(3) Design, field test and refine generic models of communication and education systems, strategies, methods and materials.

(4) Design, field test and refine modifications to assure consumer adoption of technologies to prevent HIV transmission, including condoms and viricidal agents.

(5) Design and implement global communication and education strategies and materials.

(6) Design and conduct in-service training for global programme staff in communication and education strategies and processes.

(7) Monitor and evaluate the effectiveness of ongoing behaviour change, communication and education activities; and revise strategies, methods and materials accordingly.

(8) Identify and coordinate experts relevant to communications strategies including experts in social sciences, social marketing, health education and advertising.

(9) Develop, coordinate and support the monitoring, evaluation, and active exchange of communication, education and research strategies, models and prototype materials.

(10) Develop generic strategies and prototype materials for counselling of HIV-infected persons and their sexual partners, families, and other relevant groups.

3. Research and development

Focus: To coordinate, promote and support biomedical, epidemiological, social, behavioural and operational research and development.

Functions:

(1) Establish, support and coordinate mechanisms that will ensure international scientific collaboration and social and ethical acceptability in the design, implementation, monitoring and analysis of:

- vaccine trials in humans;
- therapeutic agent field trials.

(2) Stimulate, support and coordinate research to:

- determine the nature, extent, risk factors and efficiency of all modes of HIV transmission;
- describe the natural history of HIV infection, especially among mothers, infants and children;
- develop and assess case definitions for AIDS and HIV-associated conditions;
- improve medical management of HIV-infected persons;
- develop and evaluate counselling strategies;
- determine co-factors for expression of HIV disease;
- evaluate the epidemiology and natural history of HIV-associated neurological disease;
- identify and evaluate other, as yet unreported health consequences of HIV infection.

(3) Assess, stimulate, coordinate and/or support the development and improvement of:

- HIV laboratory screening techniques;
- technologies, including condoms, viricidal agents, and single-use syringes, designed to prevent HIV transmission.

(4) Assess the current state-of-knowledge and support new social, behavioural and operational research relevant to:

- all risk factors and their relative importance in HIV transmission;
- sexual transmission of HIV and the development of appropriate health promotion and product strategies;

- blood collection, screening and transfusions systems;
- injection and other skin-piercing practices in medical and non-medical settings;
- health-care and behavioural practices related to perinatal HIV transmission;
- counselling strategies and programmes.

(5) Develop a WHO-coordinated bank for HIV and related retroviruses, serum, and related reagents.

(6) Develop recommendations for the production of, and standards for, vaccines and priority therapeutic agents.

(7) Develop scientific criteria and standards for heat inactivation, chemical treatment, and serological testing of blood products.

(8) Review manufacturing protocols for blood products according to WHO standards, and provide guidance to importing countries.

4. Surveillance, forecasting, and impact assessment

Focus: To promote, support and coordinate the data collection and analysis designed to describe current and future HIV infection trends, their social, economic and demographic impacts, and implications for interventions.

Functions:

(1) Maintain a global epidemiological surveillance system for HIV infection and associated morbidity and mortality.

(2) Stimulate, coordinate and support the design, implementation and analysis of surveys and other studies of the social, economic and demographic impact of HIV infection.

(3) Stimulate, coordinate and support development and use of mathematical models for prediction of spread of HIV infection, and associated social, economic and demographic impact.

(4) Incorporate model-derived information to evaluate and refine strategies for limiting spread and impact of HIV infection.

5. Administrative services

Focus: To provide technical services and administrative support to the Programme.

Functions:

(1) Develop, coordinate and implement the active exchange of targeted technical information with Member States, donor agencies, collaborating centres, other organizations, and selected target groups.

(2) Prepare general information articles for publication and dissemination, including press statements.

(3) Prepare routine and special reports to meet the requirements of the Organization, donor agencies and other institutions.

(4) Establish and maintain administrative linkages and arrangements with donor agencies, international organizations, and NGOs.

(5) Provide editorial services in the preparation of organizational documents, scientific papers and reports.

(6) Provide administrative support in management, contractual, financial, logistical and informatic activities.

(7) Provide support in the organization of technical and management meetings.

(8) Provide administrative support to the Global Commission on AIDS, the Committee of Participating Parties, the Network of Collaborating Centres and special working groups and committees.

6. Global Commission on AIDS

Proposed terms of reference

(1) Review and interpret global trends and developments related to HIV.

(2) Review and evaluate, from a scientific, technical and operational standpoint, the content and scope of the Programme.

(3) Advise WHO regarding short, medium and long term priorities in the research and operational components of the Programme.

Proposed composition

(1) 20 members, to include representative(s) from:

- social science
- epidemiology

- public health education and communication
- biomedical science
- social and economic development
- administration and management

(2) Constituted by the WHO Director-General, who also appoints members taking into account suggestions from the Network of Collaborating Centres and the Committee of Participating Parties. In the selection of the members, due consideration will be given to attaining an optimum diversification and balance of personal experience, professional background and international standing.

(3) Terms of service: 3 years, except that one third of initial membership to serve 2 years, and the remaining two-thirds to serve three years. Reappointment for additional terms would be possible.

(4) Meetings to be held at least annually.

7. Committee of Participating Parties

Proposed terms of reference

To assist the Director-General by:

(1) reviewing the progress, plans and budgetary projections of the Programme.

(2) reviewing other aspects of the Programme, as desired, including ways in which its activities can be coordinated with other organizations and activities.

Proposed composition

Under active consideration.

8. Network of collaborating centres on AIDS

Terms of reference

(1) A WHO Collaborating Centre on AIDS will be designated by the Director-General to form part of an international collaborative network providing support services to the Programme.

(2) Criteria for selecting institutions and the methods used to designate these as WHO Collaborating Centres on AIDS will be based on the procedures outlined in the WHO Manual (XV.2.70-280).

(3) Although the functions of each collaborating centre may vary, most thus far

designated have included:

- assisting Member States in initial studies/surveys on AIDS and HIV infection;
- assisting Member States in developing laboratory capabilities by providing technical expertise, training, and proficiency testing;
- performing confirmatory serological testing;
- conducting quality control for national reference laboratories;
- providing reference material and reagents;
- assisting in the dissemination of technical information.

Composition

(1) Current total of 27 Collaborating Centres.

(2) Proposed expansion:

- geographical: to include additional centres in Africa, South/Central America and Asia;
- areas of primary focus to include centres with special expertise in behavioural, social, economic, communications and other aspects of prevention and control useful to the Programme.

(3) Meetings to be held at least annually.

List of existing collaborating centres

The following centres are already designated or are in the process of being designated:

African region

Institut Pasteur, Boîte postale 923, Bangui, Central African Republic

Region of the Americas

Department of Cancer Biology, Harvard School of Public Health, 665 Huntington Avenue, Boston, Massachusetts 02115, USA

Laboratory Centre for Disease Control, Tunney's Pasture, Ottawa, Ontario, Canada K1A OL2

AIDS Program, Center for Infectious Diseases, Centers for Disease Control, Atlanta, Georgia 30333, USA

National Institutes of Health, Building 1, Room 111, Bethesda, Maryland 20205, USA

Fundaÿao Oswaldo Cruz, Avenida Brasil 4365, Caixa Postal 926, 21040 Rio de Janeiro, Brasil

Center for Drugs and Biologics, Food and Drug Administration, 5600 Fishers Lane, Rockville, Maryland 20857, USA

South-East Asia region

National Institute of Virology, 20A Dr Ambedkar Rd, 411001 Pune, India

Faculty of Medicine, Department of Microbiology, Siriraj Hospital, Mahidol University, Bangkok, Thailand

European region

Institut de Médecine et d'Epidémiologie africaine et tropicales, Hôpital Claude Bernard, 10, Avenue de la Porte d'Aubervilliers, F-75944 Paris Cedex 19, France

Collaborating Centres on AIDS of the Federal Republic of Germany[1]

- Department of Hygiene and Medical Microbiology, Max von Pettenkofer Institute, Pettenkoferstr. 9A, 8000 Munich 2
- Institut für Klinische und Experimentelle Virologie der FU, Berlin
- Robert-Koch Institut des Bundesgesundheitsamtes, Berlin
- Paul-Ehrlich-Institut, Frankfurt

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[1] Included under umbrella designation.

National Institute of Hygiene, Gyali ut. 2-6, 1097 Budapest, Hungary

Central Public Health Laboratory, 61 Colindale Avenue,
London NW9 5HT, UK

National Bacteriological Laboratory, 10521 Stockholm, Sweden

Unité d'Oncologie virale, Institut Pasteur, 28, rue du Docteur Roux, F-75724 Paris
Cedex 15, France

Centro Nacional de Microbiologia, Virologia e Immunologia Sanitarias,
Majadahonda, Madrid, Spain

National Reference Centre for AIDS, Athens School of Hygiene, Athens, Greece

Institut de Médecine Tropicale "Prince Léopold", Nationalestraat 155, B-2000
Antwerp, Belgium

Department of Virology, Istituto Superiore di Sanità, Laboratorio di Virologia, Viale
Regina Elena 299, 00161 Rome-Nomentano, Italy

National Institute for Biological Standards and Control, Hampstead, London NW3
6RB, UK

Vaerstypelab Rigshospitalet, Tagensvej 20, 2700 Copenhagen N, Denmark

D.I. Ivanovsky Institute of Virology, 16, Gamaleya Street, 123098 Moscow, USSR

Eastern Mediterranean region

Faculty of Medicine, Kuwait University, Kuwait

National Institute of Health, Islamabad, Pakistan

Western Pacific region

National AIDS Reference Laboratory, Fairfield Hospital, Yarra Bend Road,
Fairfield, Victoria 3078, Australia

Institute for Virus Research, Kyoto University, Sakyo-ku, Kyoto 606, Japan

Department of Pathology, Singapore General Hospital, Singapore

AIDS PERCENTAGES IN MAJOR AFRICAN CITIES

Senator INOUYE. Following up Senator Mikulski's question, I have seen reports that suggest that in some of the cities in places like Uganda, Tanzania, Zaire and Kenya, AIDS affects or has affected as high as 25 percent of the adult population?

Mr. MCPHERSON. I don't think we know, Senator. I mean, that is the reality; some samplings which show very high percentages, these countries are very sensitive about these, but even above, even beyond those sensitivities, we don't know.

What we do know is that AIDS is a serious problem in a number of countries, not just Africa. There is a number of countries, and it has to be treated as that. I have been hesitant to cite figures for countries, however, because we just don't know very much. There is a lot of antecdotal evidence, enough to scare anybody, frankly. That is my point. I think we have got a big enough problem, worldwide, so whether it is 5 percent or 1 percent or 20 percent, it shouldn't make much difference. We better get at this.

Senator INOUYE. I have many questions I would like to submit for your consideration and response. I have just one for the record here.

ATTENDANCE OF AIDS OFFICIALS IN NIGERIA

A month ago I wrote to you about my concerns regarding the attendance of certain AID officials in Nigeria. I wrote this letter, because I received a communication from a certain organization. I indicated that I was informed aids failed to keep scheduled appointments with representtatives from an organization called Population Services International, and these representatives have traveled to Nigeria from the United States to discuss components of the Nigeria family planning project.

I ask that you look into this matter and advise me of your judgment regarding the actions of these AID officials who made the appointment and just failed to keep it.

Mr. MCPHERSON. I don't have my report back to you, and I will get that for you. I have a senior population officer in Nigeria that is a fabulous woman. Senators, we have a program. I have got a draft letter here that I would like to look at and get back to you.

They are good people, and if there is a foul-up, I suspect it is that instead of a bad intention. There are two people out there, a woman and a man. Incidentally, I see Nigeria as really one of the countries opening up. I have, in principal, made a commitment to a sizable, long-term expanded population program in Nigeria because of what has been happening.

Senator INOUYE. I think the concern of this organization was the fact that an appointment was made, they traveled all the way to Nigeria and found that they had to warm benches there and nothing else came about.

I believe Senator Mikulski has another question?

Senator MIKULSKI. Mr. Chairman, I just have some questions which I will not go into now related to the implementation of some of the reforms going back to that Booz-Allen & Hamilton report, which is the amount of time it takes to get a project out and back; some of the procurement, some of the competitive bidding.

Then we can submit those for the record.

MINORITY SET-ASIDES

I just have one question that is a quick one: What is the percentage of minority set-asides?

Mr. MCPHERSON. Ten percent.

Mr. ROLLIS. Ten percent of the grants.

Senator MIKULSKI. Ten percent of grants.

Mr. ROLLIS. These are not set-asides necessarily. They are businesses done with minority businesses, female, disadvantaged and minority businesses, whether they are set aside according to SBA rules or not.

Mr. MCPHERSON. You said 10 percent in the grants. That is the contract part?

Mr. ROLLIS. Oh, yes. In fact, almost all of it is done in contracts.

Mr. MCPHERSON. There are certain exceptions. For example, monies which go to international agriculture research centers are not included in the whole.

That is the target. We have the ability to waive that, but, in fact, Congressman Gray is particularly pleased at how we have been able to do this.

Senator MIKULSKI. But it is 10 percent?

Mr. MCPHERSON. Yes.

Senator MIKULSKI. Thank you. I will submit those other questions. Thank you very much, Mr. Chairman.

Senator INOUYE. Thank you very much.

Thank you very much, Mr. McPherson. As always, it is a pleasure to have you with us. I gather we will be seeing you this Thursday on the 19th. We will continue AID.

Mr. MCPHERSON. Okay. I didn't know you wanted me to be here.

SUBMITTED QUESTIONS

Senator INOUYE. The submitted questions by the committee members will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE

THIRD WORLD DEBT AND U.S. AID

SENATOR INOUYE: Mr. McPherson, I agree with your conviction that it is absolutely essential that we make progress in solving the international debt problem. However, I am concerned that the President's foreign aid budget does not appear to reflect this priority.

Why in the President's request are the 15 priority countries, which have been identified as critical to the resolution of the global debt problem, receiving $194 million less in bilateral aid than they did in FY 1986?

I am especially concerned that the poorest countries that are Baker plan priorities, -- Bolivia, Ecuador, Morocco, and the Philippines -- are receiving $196 million less in support than in FY 1986.

Does A.I.D. coordinate the request for economic assistance with the Department of Treasury?

MR. MCPHERSON: With the exception of the Philippines, Uruguay and Peru, the Administration is requesting a rather substantial increase in FY 1988 for the 12 remaining "priority" countries.

In FY 1986, Congress appropriated an additional $100 million in Economic Support Funds for the Philippines to bolster the new government of President Corazon Aquino. In FY 1986, the Administration also deobligated the Philippine loan pipeline and reobligated all the funds as grants. As a result of the supplemental appropriation, the deobligation/reobligation action and the regular ESF appropriation, the Philippines received a total of $300 million in ESF in FY 1986. Now, with normalization returning to the Philippines and increased participation of other donors, the Administration is proposing a level of assistance consistent with Gramm-Rudman concerns (a straight-line of the FY 1986 regular appropriation) and which is fully in accord with our base rights agreement.

As for Peru and Uruguay, in our FY 1988 request, Peru is largely straightlined from the FY 1986 level; and Uruguay, in its relatively advanced state of development, is not being considered as a high priority aid recipient for FY 1988, a year in which budgetary resources are expected to be unusually tight.

The A.I.D. request for economic assistance represents an integral part of the President's foreign assistance budget and is integrated through the Office of Management and Budget with appropriate consultation with other concerned Departments, including Treasury.

PRIVATE SECTOR INITIATIVES AND THE POOR

SENATOR INOUYE: Mr. Administrator, in your objectives for Latin America, you list "expansion of the role of the private sector" as one of your first goals, and "expanded participation of low income groups in the benefits of economic growth," as you sixth goal. Do you believe that the relative priority given to these objectives is consistent with the priorities established in section 102 of the Foreign Assistance Act?

MR. MCPHERSON: First of all, let me make clear that this list of objectives -- which comes from the overview narrative for our South America program -- was not meant to reflect any rank ordering of priorities. For the LAC region as a whole, we have established four broad goals: economic stabilization, structural reforms to achieve rapid and sustained economic growth, a wider sharing of the benefits of growth, and strengthening of democratic institutions and respect for human rights. For all of these goals the ultimate purpose is an improvement in human welfare and standards of living. Our four goals are interrelated and interdependent. For example, accelerating the rate of economic growth will provide more employment opportunities for low-income groups, including self-employment as farmers and other small business operators. We see the expansion of the private sector as a means to achieve these four goals, and our assistance to the private sector includes a variety of programs targeted at small farmers, other small business operators, cooperatives, and private and voluntary organizations. We believe that our goals, and our programs for achieving them, are fully consistent with the priorities established in section 102 of the Foreign Assistance Act.

MARKET ORIENTED FARM POLICY AND P.L. 480

SENATOR INOUYE: Mr. Administrator, you state that the objective of A.I.D.'s agricultural program is to "encourage market oriented . . . family farms . . ."

Can market oriented farms be developed in poor nations where the United States is disposing of large quantities of excess agricultural production through the P.L. 480 program?

How does the provision of P.L. 480 commodities affect the income of small farmers in the developing countries?

MR. MCPHERSON: Food aid has been criticized for reducing the domestic price of food (relative to other prices), thereby having a disincentive effect on local agricultural production. This need not be the case.

When food aid is provided, it is important that the recipient country establish an appropriate market-oriented policy environment within which food producers and traders can operate profitably and which encourages a balance between the availability of and demand for food. Such an environment will help to assure that domestic production disincentives are not created. Methods for accomplishing this include: (a) carefully managing the arrival and distribution of food aid commodities to assure they do not adversely disrupt the food marketing system; (b) increasing the effective demand of low-income groups; (c) using food or local currency proceeds to finance labor-intensive construction of productive agricultural infrastucture (for example, rural access roads, irrigation dikes and channels); and (d) creating permanent employment through policies that stimulate a labor-intensive pattern of private sector agricultural and non-agricultural growth.

When host governments import foodgrains and sell them at substantially below the domestic market price, the government will not only generate less revenue for development but also may undercut private grain sales, thereby discouraging domestic production. One way to mitigate the possible disincentive effects of food aid is to encourage: (a) macroeconomic policies that encourage domestic farmers to increase production; and (b) relatively labor-intensive activities that employ low-income people who have a high potential demand for food. The key is to ensure that the demand for food expands as fast as (but not faster than) the (food aid-augmented) supply.

The United States carefully examines each country situation to assure that food aid programs will not have a disincentive effect on domestic production, as required by the 1977 Bellmon Amendment to P.L. 480. In 1985, A.I.D. distributed guidelines for strengthening Bellmon Determination analysis. The Agency encourages market-oriented agricultural policies in our country programs and care is taken to insure that U.S. food assistance contributes to, rather than undermines, this objective.

In discussing the role of P.L. 480 food aid, it is important to understand the relationship between employment and income expansion on the one hand and the supply of consumer goods on the other. Employment expansion will increase the incomes and purchasing power of laborers who, in turn, will increase their demand for a range of basic consumer goods, particularly food. Unless the food supply is increased, food prices will rise, thereby causing an erosion in real income gains for urban and rural laborers. If food becomes too costly, real improvements in well-being are not likely to be realized. In the short term, this negative effect of rapid employment expansion in the face of slower agricultural growth can be alleviated by food imports -- open market or concessional.

Thus, food aid can permit a country to expand productive employment, thereby increasing the effective demand for food and improving food consumption, without generating self-defeating inflation. This constitutes a key way by which food aid can help create a dynamic agricultural sector as well as support an equitable growth strategy. Its appropriate use requires an evaluation and understanding of how domestically produced food is marketed privately and how the public food distribution system operates. Without this understanding, the provision of P.L. 480 commodities can dampen producer prices, thereby adversely affecting the income of small farmers in the recipient countries.

MARKET FORCES AND SUSTAINABLE FARM POLICY

SENATOR INOUYE: In your budget request you state that one of the principal objectives of A.I.D.'s agricultural program is the encouragement of "market oriented . . . small family farms on a sustainable basis." The pressures of the market are very immediate. In the past, huge areas of the United States were eroded and depleted by allowing short term market forces to drive agricultural practices.

How will A.I.D. prevent the pressures of market forces from forcing the use of unsustainable agricultural practices such as "slash and burn" farming, aquifer depletion, or excessive fertilization?

MR. MCPHERSON: A.I.D. recognizes that sole reliance on market forces to stimulate agricultural development and allocate agricultural resources may have an adverse effect on the natural resource base in the short-run.

A.I.D. has developed policy guidelines which help assure that our activities will not have an adverse impact on the enviornment. Environmental concerns are, as a matter of course, considered when we review and approve agricultural activities proposed for funding.

We also support activities whose sole objective is to help preserve the natural resource base and protect the environment. Soil conservation and water management activities are examples.

In addition, activities designed to establish secure tenure and functioning land markets contribute to the prudent use of land and help to maintain a sustainable natural resource base.

CHILD SURVIVAL AND FEEDING PROGRAMS

SENATOR INOUYE: Mr. Administrator, AID has committed itself to a major new international program to reduce infant deaths. The Congress is strongly supportive of this program.

I understand that, if this program is successful, there will be 35 million more children under the age of 5 in the year 2000 than there would be without this program. That would be an outstanding accomplishment. I think you will agree that we must strive to provide these children with the food they need to live productive lives. I note that funding for Agriculture and Nutrition activities in the countries targeted for Child Survival efforts is the same in 1988 as it was in 1987.

Is A.I.D. coordinating its Agricultural program with its Child Survival program to assure that there will be sufficient food for the children that survive as a result of its efforts?

MR. MCPHERSON: Yes, A.I.D. is working in a coordinated way to ensure sufficient food for children who will survive as a result of A.I.D.'s child survival efforts. A.I.D. is committed to supporting increased food production and increased income generation among the poor in A.I.D.-recipient countries, and to helping to improve food consumption and nutrition status. A.I.D.'s Agriculture, Rural Development and Nutrition program is designed to expand the availability and consumption of food, paying particular attention to children and women in low income families. In Africa, where infant and child death rates are highest and food supplies the most tenuous, agriculture is the Agency's single highest priority.

A.I.D. funding for Agriculture, Rural Development and Nutrition on average exceeds funding for Health and Child Survival by a ratio of three or four to one, including funding in the child survival emphasis countries. We have requested for FY 1988 $471 million for Agriculture, Rural Development and Nutrition, as compared to $181.1 million for Health ($120.1 million) and Child Survival ($61 million). (These amounts do not include activities under the proposed Development Fund for Africa.) In addition, A.I.D. provides P.L. 480 food commodities to most countries receiving Child Survival funds. We are acutely aware of the need to keep these efforts in balance. However, increases in one area can only mean decreases in others unless the total amount of funds available increases. As you know, in the past few years, as our child survival efforts have increased, the total foreign aid budget has decreased.

CHILD SURVIVAL: AFRICA AND LATIN AMERICA

SENATOR INOUYE: Mr. McPherson, your budget justification states that A.I.D. has joined the worldwide effort to reduce infant deaths. Africa is widely agreed to have the most severe health and malnutrition problems.

In that light, why is Africa receiving about half of the Child Survival funds that are proposed for Latin America?

MR. MCPHERSON: We are aware of the health and malnutrition problems in Africa, problems which are related to low levels of infrastructure development and of agricultural productivity. Because of these complex interrelated development problems, we have found that working in Africa is different from working in other areas of the world.

Although Child Survival funds used by the Africa Bureau have appeared to be consistently lower than levels used by the Latin America Bureau, more central bureau funds are used in Africa. Africa Bureau receives substantial technical assistance, support for private voluntary organizations, and P.L. 480 food commodities, in addition to bilateral and regional support.

In Africa, addressing food consumption and nutrition issues may be the most effective approach to improving child survival. For this reason funding for agriculture, rural development and nutrition activities exceeds funding for these activities in Latin America and represents a greater proportion of the overall Africa Bureau portfolio than is the case in other regions.

SUSTAINED FUNDING FOR CHILD SURVIVAL

SENATOR INOUYE: Mr. McPherson, I would like to contrast two new projects in your 1988 request. In the Dominican Republic you are funding the establishment of a "Self-Financing" Health Maintenance Organization to provide basic health services to the families of low income workers.

The budget presentation emphasizes that "the full operating costs of this program will be borne by the beneficiaries at the end of A.I.D.'s contribution."

In contrast none of the seven Child Survival fund projects proposed as new starts in 1988 are described as being self financing or based on a commitment that the recipient countries will support the long term costs.

Will the Child Survival initiative be viable in the long run if there is not a commitment by the host countries to finance the program?

MR. MCPHERSON: A.I.D. is very concerned about long-term sustainability of our programs, and particularly, of our child survival efforts. Our child survival programs are designed to reflect Agency health policy, which emphasizes "improved allocation of resources, cost containment and organizational reforms in the health sector to ensure sustained levels of recurrent financing for child survival services." A.I.D. is giving particular priority to financial viability of these programs over the long term, urging host countries to give budgetary priority for child survival and other primary health care programs, the most cost-effective way to lower mortality and morbidity.

We do need to recognize that nowhere in the world are preventive services completely self-supporting, although we expect and plan for recipient countries to assume the recurrent costs in the long run. For many countries, however, the need for foreign exchange for elements such as vaccines will require external support for some years.

A.I.D. is also exploring ways to generate revenues and to involve the private sector in service delivery so that those who can afford to pay for services will do so. We do expect curative care to be increasingly self-supporting and are working with governments to shift the burden of curative care from the public sector to the private sector. Health maintenance organizations and other cost recovery delivery systems designed mainly to provide curative care are intended to become largely self-supporting.

RESULTS FROM POLICY REFORM IN AFRICA

SENATOR INOUYE: Mr. McPherson, you have recently transmitted to this Committee a summary of the economic policy reforms in Africa since 1982. It appears that many African nations are making positive changes in their economies.

What economic indicators will you use to judge the effectiveness of these policy reforms?

MR. MCPHERSON: Most of A.I.D.'s policy reform efforts have been concentrated in agriculture, where we have monitored changes in agricultural production, input use, prices, and incomes. We have already begun this effort with a series of studies of Zambia, Somalia, and Mali, copies of which are being provided to the Committee. In the next year we intend to expand these efforts to Zaire, Malawi, Senegal and Guinea. Each of our policy programs has an evaluation and monitoring component tailored to that particular reform. For example, the reform program in Mali supports changes in the policy environment for private sector activities; in that program we are monitoring new business starts and employment.

SENATOR INOUYE: When do you expect that the results of these policy changes will appear?

MR. MCPHERSON: Benefits have already occurred as a result of the policy reforms which have been taken. Farmers in Africa have responded to changes in incentives. There is clear evidence that farmers responded to freer markets and price signals and made choices that maximized their welfare. Reforms have led to significant increases in food production. In the presence of adequate rainfall, donor-assisted policy reform programs were the dominant causes of increased food output in Somalia, Zambia, Zaire and Zimbabwe. Reform programs brought major shifts in relative prices, increasing returns to agriculture by as much as 100% in real terms.

Not surprisingly, large changes in incentives had major impacts: in some cases acreages planted and marketed output have more than doubled. Policy reforms have increased the volumes of cereals marketed by small farmers--overall, the amount of grain marketed by small farmers as a proportion of all grain marketed increased dramatically. As a result, small farmer's incomes increased, especially in Somalia, Zambia, and Zimbabwe. Policy reforms have also promoted private sector development in rural areas. The level and efficiency of private sector trade in farm products have increased, and as rural incomes improve, consumer goods are becoming more widely available outside the major cities.

From an economy wide perspective distributional equity has improved, market structure and spending reforms have helped African governments in their efforts to cut budget deficits and have had favorable effects on balance of payments. Policy reform programs involve fundamental and often difficult actions on the part of African governments. It will take time for many reforms to be implemented and even longer until their full effects may be evaluated. A good beginning has been made, however.

SENATOR INOUYE: Which three nations do you believe have been most willing to make these reforms, and which three have been the least willing to make the needed changes?

MR. MCPHERSON: As we have noted elsewhere, there is a wave of policy reform taking place in Africa. We should not expect that this reform momentum will be constant and continuous. Rather, countries will push forward with some reforms, encounter political dissent and loss of momentum, and then move forward again.

This is clearly true in the case of the three nations which have perhaps been most willing to make reforms: Zaire, Zambia, and Guinea. Zaire's reform program has taken place over four years and is perhaps the most comprehensive in Africa. Yet recently the perception that growth has not reached the levels expected (due to declines in copper prices) has led to difficulties in staying on the reform program of the International Monetary Fund (IMF) and the donors. Guinea has committed itself to a radical reform program, but implementation is problematic due to weaknesses of Guinean policy-making capacity. Finally, Zambia embarked on a major reform program, backed off after rioting broke out in response to food price increases, rescinded its participation in a foreign exchange auction (the centerpiece of the reform effort), then agreed to reinstate the auction.

In addition to these three, other countries undertaking substantial reform efforts include Somalia, Mali, Senegal, Malawi and Niger.

Similarly, bad performers could turn around in the face of changing circumstances and pressures. Last year's bad performers such as Uganda, Nigeria, Tanzania and Mozambique have recently embarked on major reform programs. The three countries which currently have been the least willing to make the needed changes are Sudan, Ethiopia and Liberia, where for a variety of reasons impediments to reform exist.

REWARDING REFUSAL TO REFORM

SENATOR INOUYE: Mr. McPherson, in your report to the Committee on economic report policy reform in Africa there are two nations that are not mentioned as having made any of the economic policy reforms that the donor nations are requesting--Liberia and Sudan.

Both of these nations would receive more funds under the President's 1988 request than they did in 1987.

It has been suggested there should be a price for not making these reforms. Do you agree?

What incentive will there be to making painful economic reforms, if there is not a price to be paid for not making those reforms?

MR. MCPHERSON: We agree that there should be a cost if the reforms are not taken. We are holding up disbursements of the second tranche of the FY 1986 ESF program for Liberia because of our concerns with respect to the speed of policy reform in Liberia. In the past two years, overall assistance levels to Sudan and Liberia have declined rather dramatically due to lack of progress in economic reforms. Nevertheless, our assistance program also has a national security dimension, and both Liberia and Sudan are countries in which we have important strategic interests.

We prefer, however, to treat our assistance more as a positive incentive rather than a negative one. We have attempted to move more and more of our aid into countries which are good performers. Central to this effort is the African Economic Policy Reform Program, which is only programmed in countries taking forward steps in policy reform.

OPERATING EXPENSES FOR BUREAU FOR EXTERNAL AFFAIRS

SENATOR INOUYE: Mr. McPherson, I have noted my concern with the continuing high level of A.I.D. operating expenses.

How much of your requested funding for Operating Expenses is budgeted for the Bureau of External Affairs?

MR. MCPHERSON: Our FY 1988 request includes $2.5 million to cover the total cost of operations for the Bureau for External Affairs. This funding level includes salaries and benefits of direct hire employees in the bureau, and allocation of estimated costs associated with office space, telephones, supplies and materials, and other such costs not directly under the control of the bureau. In addition, it includes funding for travel costs of bureau employees and the costs of various agency publications such as "Front Lines."

BUREAU FOR EXTERNAL AFFAIRS

SENATOR INOUYE: How many professional level employees does the Bureau for External Affairs have on its rolls?

MR. MCPHERSON: The Bureau for External Affairs has 23 professional level employees under its ceiling of 34 employees.

SENATOR INOUYE: How many are "political" appointees?

MR. MCPHERSON: There are 11 "political" professionals working in the Bureau for External Affairs which represents about half the professional workforce and about 33% of the total Bureau workforce. By way of comparison to another A.I.D. non-program operations, the Office of Legislative Affairs has a "political" professional workforce representing 27% of total employment. Also, by way of comparison to a similarly sized (46 employees) program bureau, Private Enterprise, the "political" professionals there represent 15% of the total workforce.

SENATOR INOUYE: What does the Bureau do to justify its expense?

MR. MCPHERSON: The Bureau for External Affairs (XA) has broad responsibility for communicating the Agency's diverse external programs with the American public, private U.S. communities, international nongovernmental and intergovernmental organizations, other donor nations and the developing countries concerning the purpose and role of the U.S. economic assistance program and its place in international growth and development. In exercising this leadership role, the Bureau works closely with other bureaus and offices of the Agency as well as its Federal advisory committees and other U.S. Government agencies.

Dissemination of information is accomplished by concurrent external affairs programs, such as: production and distribution to mass communications outlets of informational materials, e.g., an Agency magazine, newsletter, press releases, speech texts, brochures, films and videotapes; scheduling press conferences, media interviews, speaking and conference engagements for senior A.I.D. officers; responding to public inquiries and to requests for information filed under the Freedom of Information Act and Privacy Act; and declassification of A.I.D. documents. Internally, the Bureau for External Affairs prepares and distributes certain informational materials such as monthly newspapers, videotape programs, public opinion analyses, press highlights and summaries.

The Bureau carries out its responsibilities within broad guidelines established by the A.I.D. Administrator in accordance with the applicable legislation.

In carrying out its responsibilities, XA draws on other A.I.D. bureaus/offices and A.I.D. organizations overseas as required. Similarly, these A.I.D. organizations look to XA for advice and assistance in handling their assigned responsibilities.

SENATOR INOUYE: I have a copy of the "premiere issue" of the magazine, Development International. The magazine does not state that it was published under a contract with the Bureau for External Affairs, although I am informed that it was. Was it published under contract with the Bureau for External Affairs?

MR. MCPHERSON: The magazine Development International was not published under a contract with the Bureau for External Affairs. In 1985, the Bureau for Science and Technology entered into a cooperative agreement with the National Demonstration Water Project and one of its affiliates, the Institute for Rural Water, to convey technical and other information to those in the development community. The principal channel was to be a magazine.

SENATOR INOUYE: What was the cost of the contract?

MR. MCPHERSON: The original agreement called for A.I.D. funding of $3.3 million over five years. A.I.D. funding was set to be larger at the start and to diminish as the enterprise became self-supporting.

SENATOR INOUYE: Has the contract been terminated? Why?

MR. MCPHERSON: The contract has been terminated because of budget limitations and concerns over perceived possible negative effects of the magazine on private sector publications in the development field.

SENATOR INOUYE: How much did A.I.D. expend under this contract before it was terminated?

MR. MCPHERSON: A.I.D. funding totaled $1,765,000.

A.I.D. ON AIDS

SENATOR INOUYE: Mr. McPherson, I fear that we are on the threshold of disaster. The explosive spread of acquired immune deficiency syndrome (AIDS), particularly in Africa, is cause for great concern.

I am told that the World Health Organization estimates that at least 50,000 people in Africa have died from AIDS and that another 2 million are carriers of the AIDS virus.

What contribution can A.I.D. make in support of programs and activities to avert this disaster?

Is A.I.D. participating in any collaborative programs with WHO?

What amount of funding are you requesting for AIDS research and prevention programs in fiscal year 1988?

What amount of funding could A.I.D. and the WHO effectively use in fiscal year 1988?

MR. MCPHERSON: AIDS is an epidemic of global concern. It is of particular concern in Africa where levels of infection are high already and many experts predict future outbreaks of major proportion in some countries. These predictions imply many serious problems for ongoing A.I.D. programs and for development prospects.

Because of the seriousness of the disease, policy guidance for A.I.D. support for international AIDS-related activities has been approved. The World Health Organization (WHO) has taken the lead in dealing with AIDS globally. A.I.D. will address AIDS in collaboration with and in support of the WHO Special Programme for AIDS.

--In FY 1986, A.I.D. was the first donor to the WHO program, contributing $1 million to the global program and $1 million to the WHO regional program in Brazzaville.

--In addition, A.I.D. has provided technical staff support to help WHO develop the global strategy and plan of action and will continue to lend such staff support.

In FY 1987, A.I.D. will have a $14 million program to address AIDS. Some of this funding will be provided to WHO and some will be used for related and complementary activities supported directly by A.I.D. Our focus will be on prevention and control of the spread of the infection. A.I.D. is using existing projects, as well as developing new mechanisms to provide support to countries to carry out country programs developed in conjunction with the WHO global program.

A.I.D. plans to continue support of AIDS activities through WHO and to provide direct support for such activities in FY 1988. Due to the seriousness of the problem, the sensitivities and unknowns surrounding it, the newness of the WHO program and country programs, the absorptive capacity of less developed countries and donors alike, we have not decided yet on the exact level of support which we will allocate in FY 1988.

WHO estimates at this time that it will probably have a $200 million budget for AIDS in FY 1988, but WHO is not yet able to provide a final budget level.

LATIN DEBT CRISIS AND A.I.D. PRIORITIES

SENATOR INOUYE: Mr. Administrator, in a recent hearing the Secretary of the Treasury identified the debt of Latin American nations as a major obstacle to renewed development in that region. It is my understanding that the resolution of this debt problem is a major objective of U.S. foreign economic policy. In the Congressional Presentation you establish eight objectives for A.I.D.'s programs in Latin America. There is no mention of the debt crisis. Why is this?

MR. MCPHERSON: I have to confess that I am a bit puzzled by the reference to "eight objectives," but I think I can see how we create these puzzles for ourselves by the different ways in which we use the term "objective." Our management-by-objectives system for the LAC region actually has 14 objectives, and the missions have additional country-oriented objectives. These are grouped under the four broad goals which we discuss in the Congressional Presentation: economic stabilization, economic reforms to achieve rapid and sustained growth, a wider sharing of the benefits of growth, and strengthening of democratic institutions and respect for human rights.

We certainly agree with Secretary Baker that the debt problem is important; both the stabilization and economic reform goals will help countries gradually overcome debt problems. Indeed, our Congressional Presentation overview for the LAC region highlights debt-servicing requirements as a continuing obstacle to sustained economic recovery in the LAC region, even with today's lower interest rates. We also point out in that overview that levels of new external financial assistance from commercial banks and official sources have fallen well short of Secretary Baker's recommendations.

A.I.D.'s role with respect to the debt crisis is to encourage sound macroeconomic policies that increase LAC countries' foreign exchange reserves by stimulating exports of goods and services; encouraging private foreign investment and the return of LAC flight capital; curtailing imports, which have been artificially stimulated by overvalued exchange rates; and promoting the efficient substitution of domestic production for imports. We are addressing these issues vigorously with the LAC countries in policy dialogues related to our economic stabilization and structural reform goals.

USE OF PROGRAM FUNDS FOR OPERATING EXPENSES

SENATOR INOUYE: Mr. McPherson, last year, as an exception to our customary procedures, the Congress allowed you to charge program related overseas in-country travel to the relevant program account. Moreover, we allowed you to charge, against the relevant program account, the cost of foreign service nationals who carry out program related functions.

These exceptions were granted to allow A.I.D. an opportunity to smoothly absorb funding reductions brought about by the Gramm-Rudman legislation. We stated in last year's Conference Report that such transfers would not be allowed in fiscal year 1988.

Am I correct in assuming that the requested amount for Operating Expenses includes all such expenses and that no allowance is made for any use of program funds?

MR. MCPHERSON: Yes, you are correct in assuming that the requested amount for Operating Expenses includes all such expenses and that no allowance is made for any use of program funds.

SENATOR INOUYE: What amount of program related funding will AID use in fiscal year 1987 to meet overseas in-country travel expenses and the costs for foreign service nationals?

MR. MCPHERSON: In FY 1987, the Agency will be using $38.6 million in local support costs for operating expenses and $0.8 million for the Inspector General. Of the amount being used for operating expenses, about $6.0 million will be used for foreign national direct hire salaries and benefits and $5.0 million for in-country operational travel. The balance will be used for general office operations, including office rents and utilities, supplies, security guards, and communications.

QUESTIONS SUBMITTED BY SENATOR LEAHY

MICRO-ENTERPRISES

SENATOR LEAHY: Mr. McPherson, I am very concerned that sometimes our foreign aid dollars do not get to the people who they are meant to help. When I hear about millions of our tax dollars that are unaccounted for or end up in the pockets of corrupt foreign officials, I wonder how we can do a better job of getting this aid to the poorest people who need it most.

Overall, I think you have done an admirable job as Administrator. We all know foreign aid is not often very popular, especially in a time of severe budget cuts. At the same time, I frequently hear from Vermonters who strongly support foreign aid that is used for food, health care and other basic needs.

Legislation offered by Congressman Feighan would require that 10% of Economic Support Funds, or $400 million, be converted to local currency loans for small-scale private enterprise by people with annual incomes under $250. These are among the poorest people in the world who would otherwise not qualify for loans to purchase farm tools, livestock, build crop storage facilities, dig wells or start their own small businesses.

I understand A.I.D. has funded micro-enterprise in the past and supports this concept, but has strongly criticized the Feighan bill because of the amount of funding involved and restrictions on who could receive loans and in what amounts.

Do you agree there is a need for increased funding for small loans in local currencies to support private enterprise among the poorest people?

MR. MCPHERSON: Credit is certainly an important component of any effort directed at enhancing the incomes and productivity of poor entrepreneurs and farmers. We believe that the recipient countries' own savings and credit systems, which I will call domestic financial markets, can and should be the best source of credit resources for this target group given the special knowledge and highly variable situations which exist from locale to locale. A.I.D. can do two things to enhance the flow of financial resources to the poor: (a) work with host countries to break down the policy and institutional obstacles which discourage financial institutions from lending to poorer, smaller enterprises; and (b) once reforms are undertaken or at least firmly under way, supplement the resources which domestic financial markets can mobilize when the system's response is slow or timorous. Directly targetting small loans to the poorest people becomes much less critical when properly functioning savings and credit systems meet the financial demands of all borrowers at any reasonable loan size. This must be our overall goal if credit for the poor is to be obtainable on a sustained basis.

SENATOR LEAHY: What amount of funding do you think could be managed effectively by existing indigenous financial institutions and private voluntary organizations?

MR. MCPHERSON: I hesitate to place a firm number on the resources that indigenous non-governmental organizations (NGOs) and private voluntary organizations (PVOs) in the developing countries can handle well. An effective financial system in most developing countries, especially where large segments of potential or actual credit users have been denied easy access to credit in the "formal" economy, will be strengthened in coverage and services by the unique outreach capabilities of non-governmental community based institutions. Poor farmers and entrepreneurs "outside the system" would probably feel more comfortable in dealing at least initially with these organizations. As research has demonstrated, however, capacity among the indigenous NGOs varies widely, with the more traditional commercial-type banks having the greater ability (if not always the willingness) to handle the range of credit requirements and some non-bank NGOs having the concern and commitment but in need of substantial strengthening if they are to have management and financial acumen to play a permanent role.

SENATOR LEAHY: How much money would A.I.D. use to support micro-enterprise if given the authority to make local currency loans for this purpose from ESF, Development Assistance, and P.L. 480?

MR. MCPHERSON: Essentially, A.I.D. sets no limit on the level of support we are prepared to give micro-enterprise development. We believe that development of small and micro-enterprises, especially in the rural areas of the developing world, is absolutely central to developing diversified economies with a broad and deep base of participation by rural poor majority in both production and consumption. The relatively modest dollar size of our program in direct support of micro-enterprise development reflects the fact that credit is often not the binding constraint on these businesses, especially as compared with the need to press for an improved policy and institutional climate, the lack of managerial and technical capacity, the inappropriateness of technology, and inadequate market access. We are working hard in all these areas to break some of the log jams, and now that we are beginning to compile a clearer record of what works and does not work, I would expect that the commitment of resources will rise steadily from present levels.

SENATOR LEAHY: How can we be sure these loans go to the poorest people and that the money is used in ways that will help them break out of poverty?

MR. MCPHERSON: We have to work hard to make government policies neutral by not giving subsidies in interest rates and other institutional advantages in credit access to better-off borrowers. We have to develop the capacity in both the public and private sectors to help potential borrowers who are poor identify the sources of credit available to them, articulate their credit needs more effectively to financial institutions, and provide the full array of technical assistance and training that raises the chances for viability of entrepreneurship among the poor. I believe PVOs, cooperatives, and business associations can play a major role in these areas, and A.I.D. is supporting those efforts now.

SENATOR LEAHY: Section 108 of Title I of P.L. 480 provides for loans to support private enterprise. Congressman Gilman has offered a bill to require that 65% of these funds be used for loans to micro-enterprises among the poorest people.

Do you agree that Title I of P.L. 480, like ESF and Development

Assistance, is a potential source of increased funding for micro-enterprise?

MR. MCPHERSON: Yes, I do. Sections 106 and 108 of the Agriculture Trade Development and Assistance Act already call for 25 percent (or, at present levels, approximately $230 million annually) of local currencies made available through Title I sales to be programmed through intermediate financial institutions for private sector development. Lending to micro and small enterprises by cooperatives, credit unions and non-traditional financial organizations clearly falls within the scope of Sections 106 and 108, and A.I.D. encourages sponsors of lending to these enterprises to come forward with proposals. Insofar as Section 106 programs are concerned, of course, the local currencies are host country-owned and A.I.D. has to negotiate mutually agreeable uses of the funds. Host governments naturally will be inclined to meet their own fiscal needs first from Title I local currencies, but we intend to negotiate vigorously for meaningful Sections 106 and 108 programs consonant with the United States' overall trade development and assistance objectives.

SENATOR LEAHY: I understand that some countries have been reluctant to participate in the Section 108 program because of a provision in Section 103(m) of Title I which requires them to convert local currency loan repayments to dollars after 10 years.

MR. MCPHERSON: The requirement for conversion to dollars has been a real concern of host governments, but for some of these it has not been the major sticking point. Another sticking point in signing Section 108 programs involves the loss to host governments of "self-help" local currency. Under a regular Title I program, these local currency generations go, by and large, to support the host government budget. Under Section 108, they are diverted into the private lending sector. Some governments are more willing than other to do this.

SENATOR LEAHY: In order to support micro-enterprise and encourage countries to participate in Section 108, would you support an amendment to exempt from this requirement agreements where local currencies are used to support micro-enterprise?

MR. MCPHERSON: Any change in the terms of Title I which provides a positive incentive to recipient countries to endorse the Section 108 program would help in negotiations in principle. I would only note further that foregoing the conversion right could have an out-year impact on reflows to the Treasury which must be factored into any equation on the advantages and disadvantages of such a change in Title I loan terms. As such, any change in policy would obviously have to be cleared by Treasury, the Office of Management and Budget, and other members of the Development Coordination Committee's Food Aid Subcommittee.

ESF CASH TRANSFERS

SENATOR LEAHY: Mr. McPherson, in a January 1987 report, the GAO concluded there is a potential for diversion of Economic Support Funds to unauthorized use, for example to buy military hardware. It cited several factors contributing to the ESF program's potential for diversion, including:

--The commingling of ESF with other recipient government revenues, making specific accounting impossible.

--ESF cash transfers free up resources which can be used for other purposes, such as purchasing arms.

--Weaknesses in A.I.D.'s control systems over economic aid programs, including ESF, and in the recipients' compliance with agreed upon controls.

What percentage of ESF is provided in cash transfers? How does that compare to 1980?

MR. MCPHERSON: Approximately 65% of the ESF appropriated for FY 1987, and of the amount requested for FY 1988, will be provided through the cash transfer mechanism. For 1980, approximately 50% of ESF was provided through cash transfer.

SENATOR LEAHY: Do you agree with GAO that these cash transfers present an increasing potential for unauthorized diversion of ESF?

MR. MCPHERSON: No, we do not agree.

SENATOR LEAHY: What steps is A.I.D. taking to address the problems identified in the GAO report? Are you confident that ESF cash transfers are not being diverted to military purposes?

MR. MCPHERSON: As the GAO report "Foreign Aid - Potential for Diversion of Economic Support Funds to Unauthorized Use" indicates, several billions of dollars of ESF assistance have been provided without evidence of diversion, including diversion for military purposes. The probable reasons for this record are the measures for accountability A.I.D. has instituted, some of which are mentioned in the GAO report. These measures include bilateral agreement clauses prohibiting military use of funds, strict definition of permissible expenditures, and deposit of local currency in special accounts allowing A.I.D. staff to monitor deposits and expenditures.

In the one instance noted by the GAO as a possible diversion, Jeeps for Somalia financed under a commodity import program (CIP) were eventually purchased by the military from a civilian importer who had brought the vehicles into the country for commercial resale. The military was, of course, not the intended beneficiary of the CIP. A.I.D. legal staff have determined that, under prevailing GAO standards, the Somalia case involved proper economic support use of the actual ESF assistance, not a military use of the aid nor a diversion of commodities to the military. A.I.D. is very concerned that ESF funds not be subject to diversion. Indeed, we do not want our funds to be associated with misuse, or even perceived as being misused.

The basic objective of cash transfers, except perhaps those focused on more narrow sectoral objectives such as agriculture, is to assist a nation by increasing foreign exchange resources while mutually agreed upon macroeconomic policy adjustments are taking effect. In providing cash transfers, A.I.D. focuses primarily on facilitating economic stabilization and structural adjustment critical to broadly based equitable growth and development, and in so doing, monitors how that country manages its total foreign exchange and budgetary resources. This basic principle is also followed by the International Monetary Fund and the World Bank in their balance-of-payments programs. Success or accountability can be better measured in terms of improved economic performance, by such indicators as improved economic growth rates, reduced balance of payments and fiscal deficits, appropriate adjustments of exchange rates and adoption of macroeconomic policies conducive to private sector-led growth.

ESF resources are an essential component of U.S. foreign policy. As indicated by the GAO report, 77% of all ESF appropriated in FY 1986 was provided to six countries of highest concern to the United States. ESF-financed cash transfers are the most effective assistance tool in responding to severe and immediate balance-of-payments requirements and in moving recipient countries to macroeconomic policy reform. We expect that it will continue to be a major form of economic assistance during the foreseeable future given the severity of the balance-of-payments and related economic problems of a number of A.I.D. recipient nations.

A.I.D. is implementing the special account provisions of the FY 1987 Continuing Resolution (Title II - Bilateral Economic Assistance, Economic Support Funds). We will continue to establish even more rigorous systems of accountability where we believe the potential for misuse of cash transfer resources is significant.

THE ESF CASH TRANSFER MECHANISM: BENEFITS AND ACCOUNTABILITY

SUMMARY

Balance of payments and structural adjustment program assistance provided through the cash transfer mechanism has proven to be an essential instrument in our foreign policy and in our foreign assistance program. Successful development requires economic soundness and stability to provide the basis for growth that these ESF programs help developing countries to achieve. Basic human needs require the economic and financial wherewithal to improve health, agricultural productivity, and literacy that only economic growth can provide. Several cases in Latin America and in Africa underscore how valuable ESF program assistance provided through the cash transfer mechanism has been in supporting new democracies and in promoting long term development goals. Further, accounting systems are in place that minimize diversion and misuse of these resources.

Examples of some of these beneficial uses of ESF cash transfers follow, along with measures to ensure accountability.

1. Balance of payments and structural adjustment programs using the cash transfer mechanism allow the U.S. Government to execute a rapid response to the needs of recipient countries in financial difficulties.

-- The newly emerging democracies among developing countries are special cases that have experienced shortfalls in foreign exchange earnings due to declines in their export prices. Unlike commodity import programs and project assistance that transfer hard currency resources only as the activity is implemented, cash transfers can provide fast disbursing financial assistance to countries in need of immediate balance of payments support to cushion the transition to a democratic government.

There are at least two recent examples of ESF stabilization assistance being used to assist new democracies:

-- Guatemala: ESF stabilization support has been used over the past two years to support the new democratic government that had to address economic reforms immediately.
  - The exchange rate system was simplified.
  - The public sector deficit was reduced.
  - The tax administration was improved.
  - Price controls were lifted and regulatory constraints to exports and investments were reduced.

-- Haiti: ESF stabilization assistance enabled the U.S. to provide a quick response to a new democratic government that wished to move quickly to put its financial house in order and to reestablish a market-oriented development program.
  - The public sector deficit was reduced
  - Several parastatals were eliminated.

2. ESF program assistance for stabilization and structural adjustment has a considerable developmental impact.

-- A structural adjustment program provided through the cash transfer mechanism can create a local currency account which can be used by the host country and the A.I.D. mission for further development efforts in the country. In many cases, these local currency resources strengthen whole sectors of economic activity in the host country. Such program assistance often complements project assistance funded from our DA accounts.

-- Structural adjustment support using the cash transfer mechanism provides the U.S. Government with a tool to effect policy reform in host countries. Disbursements are often conditioned on specified host country actions to promote short term stabilization, as well as on actions to liberalize the economy to bring about equitable economic development. Such actions usually focus on inappropriate policies in the areas of domestic interest rate regimes, exchange rates and public sector spending. Policy reform complements and strengthens our DA program.

There are numerous examples where the U.S. has used the ESF structural adjustment and balance of payments cash transfer mechanism to effect important policy reforms.

-- Costa Rica: During 1982-86, important reforms averted a serious financial crisis.
  - A flexible exchange rate system was introduced.
  - The public sector deficit was cut in half.
  - The private sector banks were given access to important lines of credit from the central bank.

-- Bolivia: During the past two years, A.I.D. has found ESF balance of payments and structural adjustment support through the cash transfer mechanism to be an indispensable instrument in assisting the Bolivian Government to restore financial stability in the country.
  - The government immediately freed the exchange rate.

- Controls were applied to the public sector
- Large portions of the state mining company were closed.

-- Senegal: A structural adjustment program using the cash transfer mechanism and associated local currency funds has supported extensive economic policy reforms liberalizing agricultural markets, reducing fiscal deficits, and rationalizing the tax system. This complements DA funded institutional programs.

- During 1984-86, Senegal received some $52m, eleven percent, of U.S. cash grants to sub-Saharan countries.
- A.I.D.'s cash grants have supported policy reforms including:
  - o privatizing rice importing;
  - o lifting government constraints on agricultural input and output markets;
  - o reducing fiscal losses on agricultural subsidies;
  - o encouraging private sector agro-industry.

-- Zambia: has reversed past policies that discriminated against rural producers in favor of urban dwellers, and has accepted severe depreciation.

- Zambia has received $54m in cash transfers for a structural adjustment program underway since FY 85 as one of the first recipients under the African Economic Policy Reform Program. ESF structural adjustment and balance of payments assistance to Zambia has been conditioned on macroeconomic reforms affecting foreign exchange markets, interest rates, and fiscal policies. It has also provided for liberalizing agricultural pricing, reducing fertilizer subsidies, and increasing private sector agricultural marketing.
- These reforms led to major increases in farm production (an estimated 12 percent in 1986 alone), despite little change in climatic conditions. For the first time this decade, Zambia is now self-sufficient in maize, and exports of non-traditional crops are expanding rapidly.
- The major beneficiaries are small farmers who have greatly increased areas planted in maize and who have simultaneously diversified overall production. Preliminary data indicate that the real value of maize, the small farmers' main crop, is up over 60 percent from last year.

3. Our use of the cash transfer mechanism for balance of payments and structural adjustment programs reinforces the efforts of multilateral lenders and donors. The World Bank and the IMF also provide fast disbursing assistance to the developing nations in support of policy reform in key sectors of their economies. While never in lockstep with these other lenders, A.I.D. very often has similar goals - and designs similar conditionality to achieve those goals. Our resources, when added to those of other lenders, often make a crucial difference in bringing about policy reform.

4. There have been no proven cases of diversion of ESF cash transfer resources.

-- A variety of measures and procedures help assure that ESF funds are not diverted for unintended uses. These include:

- Comprehensive and detailed written agreements between the

United States and recipient countries;

- A comprehensive system of vulnerability assessments and internal control reviews, for identifying potential weaknesses before diversions occur;
- Direct participation of A.I.D. staff in programming decisions for use of local currencies provided as a result of using the cash transfer mechanism and commodity import programs.
- A.I.D. is also implementing the special account provisions of the FY 1987 Continuing Resolution. Under this system cash transfers are placed in separate accounts and are not commingled with other international reserves. These separate accounts are then the repository for funds used to finance eligible imports and other obligations. A.I.D. will be reviewing each cash transfer and will specify permitted uses of the dollars, as well as local currencies, at an appropriate level of detail.

Additional measures are being, or have been taken to protect funds from misuse where there have been allegations of misuse in the past

- In the Philippines, as well as in other countries, interest earned on ESF local currency accounts already is, or will be covered, in our ESF agreements with those countries.
- In Haiti, at the request of the government, A.I.D. and contract staff are involved in all stages of ESF cash transfers, projects and local currency programming, including the assignment of contract personnel to key GOH ministries.
- In El Salvador, the comprehensive separate account and price checking mechanisms in place since 1984 have ensured that ESF resources have not been diverted for luxury goods or other unauthorized procurements.
- In Liberia, A.I.D. will be supporting the stationing of 17 experts directly in GOL ministries to ensure objective budgeting, accountability and financial planning and management standards.

5. Sixty-five percent of the FY 1987 ESF program is projected to be provided through the cash transfer mechanism.

Fiscal	Dollar Amounts (millions)			Percentage Division		
Year	Project	CIP	Cash	Project	CIP	Cash
1985	1,043	436	3,224	22	9	69
1986	981	443	3,489	20	9	71
1987est.	973	287	2,290	27	8	65

Of all the cash transfers that will take place in FY 1987, Congress has mandated that over half, 59%, will take that form of assistance.

The remainder, 41%, is provided as a cash transfer because past practice has indicated that this mechanism is most effective in providing for unearmarked base rights/military access/frontline countries as well as for countries where policy dialogue has played a role in achieving economic reforms.

Allocation of Cash Transfers	FY 1987	
	Dollars (millions)	Percent of total
Congressional earmark as ESF cash transfer for		
Israel	1,200.0	52.0
Egypt	115.0	5.0
Ireland	35.0	2.0
Congressional earmark of ESF and unearmarked for base rights, military access:	402.3	17.6
Kissinger Committee Recom's	364.2	15.9
Residual	173.2	7.5
Total	2,289.7	100.0

ESF ASSISTANCE IN EL SALVADOR, GUATEMALA AND HONDURAS

SENATOR LEAHY: What will the $200 million in FY 1988 ESF for El Salvador be used for? What about the $80 million for Guatemala, and the $100 million for Honduras?

MR. MCPHERSON: The $200 million in ESF funds requested for FY 1988 for El Salvador will be used principally to support Salvadoran efforts to reduce the deficit and stabilize monetary policy. $167.5 million will provide needed foreign exchange through the Balance of Payments Program (519-0328). $19.0 million will fund the Public Services Restoration Project (519-0279) for procurement of commodities and assistance to government agencies to carry out high priority repair and reconstruction activities as a result of damage by the guerrillas. $5 million will be added to the Industrial Recovery Project (519-0287) for additional support to the Salvadoran Foundation for Economic and Social Development (FUSADES) and the Government of El Salvador to increase their capacity to support non-traditional export development. $6 million will go for a new project, Industrial Parks/Infrastructure (519-0323), in support of the development of export industrial parks to increase foreign exchange earnings and employment opportunities in El Salvador. $2.5 million of the planned ESF will be used to finance the Central American Peace Scholarships program.

Additionally, the equivalent of $167.5 million in local currency associated with the Balance of Payments program will be used to support a variety of developmental activities consistent with the intent of Congress.

The $80 million in ESF requested for FY 1988 for Guatemala will be used primarily to support Guatemala's successful macroeconomic reform program. $74.5 million will provide needed foreign exchange through the Economic Stabilization program (525-0347) which has been designed to have a maximum impact on growth and employment generation. $5.5 million of the planned ESF will be used to finance the Central American Peace Scholarships program. In addition, the equivalent of $74.5 million in local currency from the Economic Stabilization program will be allocated to priority projects promoting agricultural and rural development and improved rural infrastructure. Local currencies will also support health and nutrition projects as well as private sector activities which promote investment and export.

The $100 million in ESF requested for FY 1988 for Honduras will be used principally to support Honduran efforts to further improve macroeconomic performance. $93.5 million will provide needed foreign exchange through the Economic Stabilization Facility (522-0283). $1.0 million will be channeled through the Policy Planning and Institutional Development project (522-0325) to improve the Honduran Government's and the private sector's ability to analyze policy options relating to stabilization and revitalization of the economy. Additionally, $93.5 million equivalent in local currency associated with the Economic Stabilization Facility will be used to support health, nutrition, agricultural and other development projects in line with our bilateral development strategy. $5.5 million of the planned ESF will be used to finance the Central American Peace Scholarships program.

ESF REGIONAL DISTRIBUTION

SENATOR LEAHY: After Congress appropriated less than you requested for foreign assistance last year, how was ESF distributed? Were the same percentages maintained for each region (e.g. Africa, Latin America and Asia) albeit in smaller amounts, or did some regions receive smaller percentages in order to maintain higher levels of ESF in other regions?

MR. MCPHERSON: For the most part, the percentage of ESF received by each region remained fairly constant between FY 1986 and FY 1987 in new obligation authority. The FY 1987 ESF proportions for Africa and Latin America each decreased by about 2 percent from the prior year, while the Asia and Near East Bureau's proportion increased by about 4 percent. The slight adjustment between regions resulted from the earmarking of ESF for the Middle East peace countries and base rights/military access countries (such as the Philippines) most of which are included within the Asia and Near East Bureau. Since earmarked funding levels were protected, other unearmarked countries had to absorb the overall decrease in funding of 3.4 percent.

ESF by Region
($ Millions)

Region	FY 1986	% of Total	FY 1987	% of Total
Africa	242.2	6.5	162.8	4.5
Asia/Near East	2,779.0	75.6	2,827.3	79.6
Latin America & Caribbean	652.9	17.7	558.9	15.7
Science and Tech.	1.4	-	1.0	-
Total	3,675.5	100.0	3,550.0	100.0

GUATEMALA LAND MARKETS

SENATOR LEAHY: Mr. McPherson, last December I wrote to you to ask what efforts A.I.D. was making to support land reform in Guatemala. You wrote back about a program called the "Penny Foundation," which has purchased and resold 6,766 acres to landless peasants since 1984. That seems like very slow progress to me. Do you agree with me that land reform is one of the most urgent problems facing Guatemala today?

MR. MCPHERSON: Yes, with the caveat that the land issue is only part of a greater problem that will not be solved by land distribution alone. The broader issue is access to the total spectrum of productive assets needed by Guatemala's rural populations to produce income. Access to land is one important component of this issue, but it is not the only one.

Within that context, access to land is a serious problem to be sure. An important number of Guatemalan farmers has insufficient land to support a family. And this land pressure is increasing. Land distribution is also one of the major socioeconomic issues that the Cerezo government is facing during its tenure. But again, the problem must be addressed as part of a broader package to increase production, access to factors of production and incomes for rural Guatemalans.

We have used the Penny Foundation program to develop the technical, economic and social foundations for a more ambitious program. We now intend to expand this effort with a $5 million grant in FY 1987 in keeping with the Congressional earmarking. Central features of this program will continue to be that: (1) the transfer mechanism is the market, i.e., through land sales; (2) it is strictly voluntary -- both for sellers and buyers; and (3) the transactions remain within the private sector. In keeping with our experiences elsewhere, our support will entail direct ownership by farmers of their land, avoiding cooperative land ownership which removes the production incentive.

SENATOR LEAHY: Does A.I.D. and the Guatemalan Government consider this program capable of addressing the huge problem of land reform in Guatemala?

MR. MCPHERSON: In its present scope, the program will not address the full magnitude of the national problem. We have supported the Penny Foundation pilot program in order to obtain certain information and identify specific constraints to implementing a successful program. Through this program and the recent evaluation, we have also realized the importance of the technical assistance component and loan component. These pilot projects and the information derived from them will provide valuable experience for the Government of Guatemala as it proceeds with a land program on a larger scale.

SENATOR LEAHY: Does A.I.D. plan to expand its support for land reform? In what ways and with what amount of funding?

MR. MCPHERSON: We are currently exploring with interested Guatemalan entities, ideas on how to expand this approach of private sector voluntary land sales on a financially and technically sound basis. We are planning to expand the Penny Foundation approach to $5 million in FY 1987. Funds will be provided for institutional development, land purchase, a guaranty mechanism to insure a market for mortgage paper, the improvement of the title registration process of the Government and the provision of technical assistance and credit for the beneficiaries. We anticipate a proposal from the A.I.D. Mission in June of this year and would hope to sign an Agreement by August 1987.

SENATOR LEAHY: What portion of U.S. aid to Guatemala for FY 1988 will be used to support land reform?

MR. MCPHERSON: At this point, we have only programmed the $1 million for the Penny Foundation out of a total Development Assistance level of $33.3 million. As the results of the pilot activities and studies included under our 1987 $5 million effort are known and the outcome of the high-level agricultural task force is complete, we shall determine what levels of financing for FY 1988 would be desirable.

SENATOR LEAHY: Does A.I.D. plan to support Padre Giron's "Peasant Land Bank," which calls for open market land purchases and group as well as individual ownership of land?

MR. MCPHERSON: Other than in general outline, we are unfamiliar with Father Giron's land bank proposal. We do believe that the idea of a land bank is something we would consider seriously as we attempt to expand land purchase programs.

We have been approached by Father Giron on the general issue of land purchases. We have suggested that he work with the Penny Foundation which we feel has established a bona fide approach to land markets. The high level agriculture task force now in Guatemala will also be reviewing with Father Giron his views on land purchases and will make an assessment of our options with Father Giron's input.

ENVIRONMENTAL VALUES AND DEVELOPMENT

SENATOR LEAHY: Mr. McPherson, in the past eight years, environmental issues have been a major focus of development policy. Some say that there is an inherent conflict between economic development and environmental protection. Others say that without sound environmental policy sustained economic development is impossible. Which is your view?

MR. MCPHERSON: I feel very strongly that sustained long-term economic development can only be achieved with sound environmental policies and the integration of environmental consideration into development activities. Too often I have seen the results of development efforts which were unsustainable because inadequate attention was paid to natural resource management or to assessing the true environmental costs and benefits of projects and policies. Examples of such projects abound--hydroelectric dams producing at far less than capacity silted by the inadequate protection of upland watersheds, fisheries and drinking water polluted by excessive pesticide use, deforestation and the loss of genetic diversity caused by the expansion of agricultural activities into marginal lands, and the list goes on.

A.I.D. has been in the forefront of the donor community in encouraging other donors and LDC governments to understand the environmental consequences of development efforts and to promote increased attention to the effective management of natural resources. A.I.D. policies require that its development projects be subject to rigorous environmental review. We support many environmentally beneficial projects such as reforestation, integrated pest management programs and training and institutional development efforts which are designed to help A.I.D.-assisted countries to address environmental and natural resource issues. In addition, we are working with host country governments to establish policies which will both promote economic growth and assure the sustainability of essential natural resources.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

AFRICA AND SELF-SUFFICIENCY FOR THE POOR

SENATOR DECONCINI: Mr. McPherson, you and I have discussed the horrible famine and desperate plight of the peoples in Africa on numerous occasions. A.I.D.'s relief efforts have often made the difference in saving thousands of lives on the African continent. We have read about the efforts in Africa to combat locust and improve refugee camps. Could you comment upon the efforts by A.I.D. in Africa, especially in regard to long-term efforts to address the truly poor peoples' plight? What is A.I.D.'s perspective on the Self-Sufficiency Act for the Truly Poor, introduced in the House a few weeks ago? Does not this address starvation, development, and utilizing indigenous resources? And would you be willing to work with this type of program?

MR. MCPHERSON: Long-term development in Africa represents an enormous challenge. Per capita food consumption in Africa has declined in 14 of the 15 years. The standard of living of the truly poor people has declined, with enormous suffering as the consequence. With an annual population increase of 3%, African countries must concentrate efforts on increasing per capita economic growth or its peoples will face even more difficult times.

A.I.D.'s major long-term objective is to help African countries get economic growth moving again. This approach recognizes the fundamental needs of African peoples, particularly the poor who suffer most from economic stagnation and low levels of production and income. It also supports the commitments made by African leaders at the UN Special Session of Africa, May, 1986, to undertake economic reform and emphasize agricultural development.

The major points of A.I.D.'s strategy are: economic restructuring, agricultural development, and human resources development including emphasis on child survival, management of population pressures, and training. The President's Initiative to End Hunger through economic growth, policy reform, and private sector development reinforces this strategy as does the proposed creation of a Development Fund for Africa, which allows for even more concentration on the critical priorities.

Recent progress in Africa has reinforced the soundness of the strategy for reaching the poor majority. Recent studies show that in Mali, Somalia, Zambia, and Zimbabwe, policy reforms were a major benefit to small farmers. Production of improved sorghum is up in Sudan and Cameroon (with yields in low rainfall areas of Northern Cameroon up 44%). Production of cassava and corn is up in Zaire.

As for the Self-Sufficiency for the Poor Act introduced in the House of Representatives, A.I.D. shares the concerns of the bill's authors and sponsors that the very poor need to have a greater share in the benefits of development. Direct involvement of the poor majority in our assistance programs is absolutely central to A.I.D.'s broadly based development strategy of growth with equity in the Third World. Private voluntary organizations and similar indigenous institutions, a major focus of Congressman Feighan's bill, have always played and will continue to play a key role in carrying out long-range development programs with A.I.D.'s help.

A.I.D.'s greatest concerns lie in the intrinsic effectiveness of the Self-Sufficiency for the Poor Act's solutions. Enterprise size, loan size, and per capita income limits in our view limit the ability of A.I.D. and indigenous institutions to tailor assistance programs under the bill to the particular needs of the poor majority, the target group for A.I.D. explicitly mandated in our governing legislation. Many opportunities for support of productive enterprises of the poor would be frustrated or ignored by the narrow focus of the bill. Moreover, the administrative burdens that these artificial limitations place on the program will add to the cost of its implementation. We also believe that the proposed legislation does not meaningfully acknowledge the interdependence of institutional development, development of the appropriate technological base, and dialogue on policy reform. Sustained credit for the poor must ultimately come from within developing countries, not from highly targetted aid donor programs.

A.I.D. would clearly prefer Congressional support for a development strategy, and the resources that go with it, that balances access to credit with the other technical, managerial, and human resource inputs necessary to lift the Third World's millions out of deep poverty and stagnation.

Questions Submitted by Senator Lautenberg

STATUS OF A.I.D.'S ROLE IN COMBATTING RIVER BLINDNESS

SENATOR LAUTENBERG: At a meeting in November with Senator Bradley and members of our staffs, you discussed the disease called river blindness and the role of the Agency for International Development in determining the appropriate uses of ivermectin in combatting this disease. Various approaches, including the possibility of a pilot program and a supplemental appropriation, were discussed. You indicated that A.I.D. would be interested in taking the lead to try to establish multilateral support for a demonstration program. You further indicated that you would report back to us by mid-February, in time to allow consideration of a supplemental appropriation, if necessary.

I would like to know the status of your consideration of this matter and what steps are underway with regard to A.I.D.'s leadership role in this important Third World health problem.

MR. MCPHERSON: I am pleased to report considerable progress in plans for community-based trials of ivermectin. Since our November meeting, we have met with respresentatives of Merck, the Tropical Disease Research Programme of the World Health Organization (WHO), the World Bank, the Onchocerciasis Control Program (OCP), and a number of donors. We have also encouraged direct discussions between Merck and WHO to assure WHO approval and international acceptance of ivermectin. WHO visited Merck in West Point, Pennsylvania, on March 9, 1987 to review the safety records of ivermectin. Representatives of Merck told us that WHO found nothing that should delay submission of data on ivermectin to the French drug regulatory agency for licensure.

Merck representatives visited with Deputy Secretary Whitehead and myself on March 5, 1987. At that time, I assured Mr. P. Roy Vagelos, Chief Executive Officer of Merck, of our interest in this drug and our desire to have it fully investigated as rapidly as possible. For A.I.D.'s part, we will be supporting the costs of two of the field trials which are essential to determining the drug's safety and efficacy as a public health measure.

We also discussed various options for purchasing ivermectin when it is finally cleared for widespread use. If it proves effective in the field trials and in other ways looks practical for river blindness control, we would look to the international community already involved to carry an important share of the funding. At the same time, I want to assure you that I am committed to ensuring that the United States shoulders its traditional share of the funding and, equally important, plays a leadership role in ensuring widespread availability of ivermectin.

In short, we have stayed in close touch with Merck on this entire program and will continue to maintain close liaison with Merck, OCP and WHO to ensure the rapid investigation of this drug.

QUESTIONS SUBMITTED BY SENATOR HARKIN

PRIVATE AND VOLUNTARY ORGANIZATIONS

SENATOR HARKIN: There seems to be a growing consensus among development advocacy groups that private voluntary organizations (PVOs) are often a better vehicle for development assistance funds than direct government to government aid. As you know, we in Congress have acknowledged that consensus by requiring that 13.5% of A.I.D assistance be channeled through local or international PVOs. What is your assessment of this strategy, and do you have any plans to increase the percentage of funds going through PVOs?

MR. MCPHERSON: A.I.D. recognizes the significant role that PVOs play in Third World relief and development. Although the PVOs registered with A.I.D. vary tremendously in size, scope and capability, they share a strong commitment to improving the quality of life for people in less developed countries. In little over a decade, A.I.D. assistance to PVOs has increased dramatically - from $39 million in FY 1973 to an estimated level of $290 million in FY 1988. At a time when A.I.D.'s own resources are severely limited, PVO programs are an increasingly important part of A.I.D.'s effort to foster self-sustaining development in the Third World. Our collaborative successes flow from an understanding of and respect for the particular strengths each brings to the development effort. By joining forces and complementing each other's capabilities and scope, A.I.D. and PVOs can accomplish more together than either could alone. A.I.D. is committed to strengthening this partnership.

ECONOMIC VS. MILITARY ASSISTANCE

SENATOR HARKIN: In the last ten years, the percentage of total foreign aid devoted to development assistance has dropped from 33 to 27 percent. The rate of decrease has been particularly dramatic since 1980.

During the same period, the percentage of foreign aid devoted to military aid has increased from 27 to 40 percent.

How has this shift away from development assistance and towards military assistance affected A.I.D.'s programs and successes in helping the world's poor?

MR. MCPHERSON: The major shift in the balance between military and development assistance was a result of this Administration's acknowledgement that the United States was faced with a plethora of international security concerns. Many of our allies in the developing world were being confronted with Eastern bloc aggression, while others were being openly courted by the Soviets. To counterbalance this trend, which accelerated during the previous Administration, the Reagan Administration made a conscious decision to increase spending on military assistance while maintaining a level of economic assistance which permitted our allies in the Third World to continue their pursuit of development objectives at a still growing pace. While the proportion of military assistance to development assistance increased substantially from FY 1978 to FY 1982, the proportion has remained fairly constant since that time.

The FY 1988 request for International Affairs reflects a careful balance between different forms of assistance which address a wide range of foreign policy objectives.

Foreign Economic Assistance including Development Assistance, multilateral assistance, and P.L. 480 addresses developmental and humanitarian concerns. The FY 1988 request of $5.8 billion represents an increase of about 16% over FY 1987, largely for multilateral assistance.

Security Assistance including the Economic Support Fund and Military Assistance strengthens countries important to U.S. security interests. The FY 1988 request of $9.4 billion represents an increase of about 9% over FY 1987.

Total economic assistance includes Foreign Economic Assistance (subfunction 151) and the Economic Support Fund. The attached table shows the balance between economic and military assistance since FY 1981. Total assistance increased from $10.5 billion in FY 1981 to $20.8 billion in FY 1985 (with the Middle East Supplemental), dropping back to $13.6 billion in FY 1987. The FY 1988 request restores the level to $15.2 billion. Economic assistance receded from 70% in FY 1981 and remained relatively constant (61%-63%) since FY 1983.

There has also been a steady balance between DA and ESF over most of the FY 1981-FY 1988 period. The table below indicates that, since FY 1982, DA has remained at about 38% of economic assistance (a drop from 45% in FY 1981). DA dropped to 29% in FY 1985 because of the additional ESF for the Middle East.

Foreign Assistance (Billions)

	81 Act.	82 Act.	83 Act.	84 Act.	85 Act.	86 Act.	87 Est.	88 Req.
Mil./Econ.								
Economic	7.3	8.2	8.7	9.1	13.2	9.1	8.6	9.4
Military	3.2	4.1	5.6	6.5	7.6	5.8	5.0	5.8
Total	10.5	12.3	14.3	15.6	20.8	14.9	13.6	15.2
Percentages								
Economic	70%	67%	61%	58%	63%	61%	63%	62%
Military	30%	33%	39%	42%	37%	39%	37%	38%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Economic Assistance								
DA	1.7	1.8	1.8	2.0	2.5	2.1	2.1	2.2
ESF	2.1	2.9	2.9	3.2	6.2	3.8	3.6	3.6
Total	3.8	4.7	4.7	5.2	8.7	5.9	5.7	5.8
Percentages								
DA	45%	38%	38%	38%	29%	36%	37%	38%
ESF	55%	62%	62%	62%	71%	64%	63%	62%
Total	100%	100%	100%	100%	100%	100%	100%	100%

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

SENATOR HARKIN: Last week, this Subcommittee was privileged to hear from U.S. Ambassador to the United Nations Vernon Walters, and other State Department officials concerned with our role in the UN. They spoke eloquently of the successes of these multilateral development agencies.

As budgetary restrictions continue to decrease the funds available for development assistance, in which areas of development do you feel multilateral aid might be more cost effective than bilateral aid? In particular, what is the Administration's justification for requesting no funds at all for the Special Program for Africa of the International Fund for Agricultural Development, an organization widely regarded as one of the international leaders in effective development, while requesting $500 million for a new bilateral Development Fund for Africa?

MR. MCPHERSON: Bilateral and multilateral channels of U.S. support for development serve different and complementary functions. Because bilateral assistance is under our direct control, the United States can focus its aid on particular countries and determine the way the funds are allocated. Bilateral aid is a more visible sign of U.S. support and can be more effective in addressing particular kinds of development problems in which the United States has a comparative advantage because of technical and human expertise -- such as improving agricultural institutions and technology transfer.

Multilateral assistance, on the other hand, enables U.S. resources to leverage large flows of assistance toless developed countries. Because of the perceived impartiality of the multilateral development banks as well as the larger scale of their available financing, the banks are well placed to convince a government to undertake difficult policy reforms. In short, we see these two spigots of development aid as mutually reinforcing.

Regarding IFAD's Special Program for Sub-Saharan African Countries Affected by Drought and Desertification, it is precisely for reasons of budget stringency that the Administration has not requested funding for an additional contribution. IFAD's Special Program is being funded entirely by voluntary contributions from its members, and each member must assess whether or how much they might wish to contribute to this special effort on the basis of available resources and individual priorities. These priorities are reflected in the Administration's FY 1988 request for both bilateral and multilateral assistance.

The proposed Development Fund for Africa does not represent a request for fully $500 million in new monies. Rather, it merges together many activities previously supported through individual Development Assistance functional accounts and the Economic Support Fund to enhance our ability to manage scarce development resources. For instance, the $45 million African Economic Policy Reform Program and the $25 million South Africa and $73 million Southern Africa regional programs would be incorporated into the new Development Fund for Africa, along with programs in the agriculture, education, health, child survival and population sectors. The utilization of no-year funds will allow us to make obligations based completely on merit rather than being subject to end-of-the-year obligation pressures.

Allow me to stress, Senator, that we perceive this to be a management tool, so that our limited resources for Africa might be used in the most efficient and effective manner.

UNFPA DECISION

SENATOR HARKIN: Last October, I joined with the distinguished chairman of this committee and other colleagues in the Senate in writing to urge you to maintain U.S. participation in and contributions to the UN Fund for Population Activities. In that letter, we suggested that UFNPA's 1 percent contribution to China's $1 billion population program cannot reasonably be said to amount to "participation in management" consistent with Congressional intent. Could you please elaborate on your decision to deny U.S. funding to UNFPA and your belief that UNFPA participates in management of China's population program?

MR. MCPHERSON: In 1985 Congress enacted legislation prohibiting assistance to an organization which supports or participates in the mangement of a program of coercive abortion or involuntary sterilization.

The provision did not contain a definition of the term "participates in management." It was my responsibility to interpret its meaning in accordance with the intention of Congress in choosing those words and adopting that restriction. Reviewing the assistance UNFPA provided to the China population program, I found that the range and kinds of assistance provided by UNFPA participated in the management of China's program of coercive abortion and involuntary sterilization by helping China develop the modern capability to manage that program, including its first modern census, the technical expertise and equipment needed to collect, analyze, and disseminate the data necessary for that program and training of demographers, statisticians and family planning workers who plan, manage and carry out the program.

On August 12, 1986, the Circuit Court of Appeals for the District of Columbia held that my interpretation of the term "participates in the management of a program of coercive abortion or involuntary sterilization" was reasonable and refused to reverse my judgment that funds should be withheld from UNFPA because of its assistance to the population program of China.

A.I.D. RELATIONSHIPS WITH THE INTER-AMERICAN FOUNDATION

SENATOR HARKIN: One of the most widely respected and praised development agencies in the United States is the Inter-American Foundation. Their approach to development, one which requires the active participation of grass roots organizations in the communities of Latin America, has led to impressive successes which last long after direct cash assistance has ended. What is A.I.D. doing to learn from the experiences of the Inter-American Foundation, and what other steps is A.I.D. taking to ensure the active participation of local community in development programs?

MR. MCPHERSON: A.I.D. maintains regular staff level communication with the Inter-American Foundation (IAF). A.I.D. also receives overviews and evaluations of IAF programs which allow A.I.D. to maintain a working knowledge of IAF activities. The Administrator of A.I.D. is a member of the Board of Directors of the IAF which provides a unique opportunity to exchange information and experiences.

IAF often works with agricultural cooperatives, community associations and small urban enterprises, and with larger organizations that work with local groups, providing credit, technical assistance, training and marketing services. In many cases these same organizations are supported by A.I.D. using private and voluntary organizations (PVOs) as intermediaries. Thus, in various ways there is a sharing of experience between A.I.D. and the IAF in grass-roots development.

Recognizing the importance of grass-roots development and the unique role that PVOs play in this effort, the LAC Bureau has made a special effort to strengthen indigenous PVOs throughout the region. A significant portion of the resources, both dollars and local currency, used for PVO activity is devoted to local PVO programs. These organizations are particularly knowledgeable about community development problems and how to address them. One important effort has been the development of PVO consortia in several countries which help to improve local PVO organizations and to strengthen their capability to carry out programs. Partnerships between U.S. PVOs and local organizations to assist in strengthening programs have been successful in several countries.

CENTRAL AMERICAN SUPPLEMENTAL REQUEST

SENATOR HARKIN: Your FY 1987 supplemental request includes $200 million for Central America. All of these funds would be in the form of Economic Support (ESF). How would these funds be used -- for balance of payments? for project aid? a combination of the two? Can you provide me with a more detailed accounting regarding this supplemental request?

It is my further understanding that on March 3, pursuant to Section 215 of the Continuing Resolution for FY 1987, the President sent a formal request to Congress for an additional $300 million for the four Central American democracies.

Is it your understanding that this request supercedes the supplemental request contained in A.I.D.'s budget figures?

How would the $300 million be allocated? How much for which countries?

Would it be used for balance of payments or project aid? For ESF or development assistance?

Have the four governments in the region been informed of this request, and if so, what guidance have you received from them?

MR. MCPHERSON: Pursuant to President Reagan's March 3, 1987 request to the Congress for expedited consideration of additional economic assistance for the Central American democracies, A.I.D. requested for FY 1987, $300 million in Economic Support Funds (ESF) for Costa Rica, El Salvador, Guatemala and Honduras. These funds fulfill the Congressional attempt to aid the democracies last year in Public Laws 99-500 and 99-591 and supercede the supplemental request contained in A.I.D.'s budget figures. The proposed allocation and use of these funds is as follows:

Country	Balance of Payments	Project Assistance	Earthquake Reconstruction	Total Funding
Costa Rica	40	--	--	40
El Salvador	40	15	100	155
Guatemala	40	--	--	40
Honduras	40	25	--	65
TOTAL	160	40	100	300

The Central American Initiative (CAI) proposed $6.0 billion of U.S. economic assistance (exclusive of guarantees) for the five-year period 1985 to 1989. The shortfall in total appropriated funding levels through FY 1987 will exceed $1 billion if the supplemental is not approved. This shortfall, combined with the slow recovery of the world economy, lower-than-expected resource flows from other external sources, decling prices for Central America's major agricultural exports, and prolonged physical conflict in the region, is significantly delaying achievement of most of the goals laid out in the CAI. Recent declines in world coffee prices will reduce foreign exchange earnings by the region by more than $400 million this year from last.

An additional $300 million of ESF in FY 1987 would allow the United States to increase support for economic stabilization, laying the basis for economic growth, greater equity, and democratization efforts of the core four Central American countries. Of the total, $100 million would be provided for reconstruction from the October 1986 earthquake in El Salvador. The funding would also accelerate or expand key development programs in support of the CAI objectives.

The countries of Central America have begun to implement economic programs which can lead to sustained economic recovery if adequately supported by external assistance over the medium term. When combined with programs to spread the benefits of growth and to strengthen democratic processes and institutions, economic reforms can also strengthen political stability in Central America and afford greater protection to the vital security interests of the United States in the Region.

The $300 million in additional ESF funds would be used as follows:

Balance of Payments Assistance - $160 Million: We would increase balance of payments support for the economic adjustment programs in Guatemala, El Salvador, Honduras and Costa Rica by $40 million each. In each of these countries, democratic governments are implementing politically unpopular reform programs and austerity measures which are necessary to eventually create the conditions needed to increase production, employment, and exports, and decrease the need for continued U.S. financial help. But they also have the short-term effect of reducing consumption, increasing domestic prices and creating some political turmoil. To help mitigate the short-term effects of these necessary measures, our ESF programs provide foreign exchange that permits countries to import inputs needed to maintain domestic production and employment, as well as basic foodstuffs, medicines, and other basic consumption items which cannot be supplied by local producers. Since these items come from the United States, there is a by-product of the program with respect to helping to maintain jobs in the United States as well as in the developing countries. Costa Rica and the fledgling democracies of El Salvador, Honduras and Guatemala need U.S. support for their programs if they are to be fully and effectively implemented and the basis laid for future growth.

In addition to providing dollar resources to support economic stabilization programs, an equivalent amount of local currency is generated to support domestic development activities in each recipient country. The local currencies are jointly programmed by A.I.D. and the host government. The local currency generated by this assistance is critical to expansion of both social and productive investment programs in a period of required austerity.

Funding will be programmed for activities such as agrarian reform, judicial reform, health/child survival, education and employment generation.

Earthquake Reconstruction - $100 Million: El Salvador suffered serious loss of life and damage to the country's infrastructure estimated at more than $1 billion from an earthquake in October 1986. This greatly compounded the problems of a country already fighting a costly insurgency and battling the economic problems facing all Central American countries. Congress has appropriated $50 million in immediate earthquake relief and recovery assistance. The additional $100 million provided here would assist in the Salvadoran Government's longer-term reconstruction program.

Project Assistance - $40 Million:

El Salvador - $15 Million: An additional $9 million would be provided to accelerate the restoration of vital public services damaged by continuing guerrilla sabotage, e.g., bridges, transport, power, water and communications. Also, $6 million would go to PVOs offering humanitarian assistance to displaced persons and to urban and rural poor.

Honduras - $25 Million: This assistance would be used for increased funding of ongoing high impact projects in agriculture, export promotion, education, privatization, and economic policy planning.

The four countries have not been formally notified of this request but may be aware of it as it is public information. We know that the countries were aware of the Congressional proposal to provide these funds last fiscal year. Their governments were particularly desirous of balance-of-payments assistance and had high expectations that this supplemental assistance would have been provided by now.

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QUESTIONS SUBMITTED BY SENATOR KASTEN

PRIME MINISTER SEAGA'S FREE MARKET REFORMS

SENATOR KASTEN: When the current Prime Minister of Jamaica took over leadership of that country, there was substantial celebration because everyone thought that he would turn away from the socialism of Michael Manley and instead encourage a more private sector and free market oriented economy. Instead, it appears that Prime Minister Seaga has implemented Manley's programs. Are you doing anything to try to get that government away from government- owned enterprises and other types of parastatals?

MR. MCPHERSON: After an initial slow start, the government of Prime Minister Seaga has undertaken major reforms to eliminate import and price controls and the monopoly position of state export marketing boards, to reform the tax system to eliminate major disincentives to production, to establish and maintain a unified, internationally competitive exchange rate, to streamline the approval process for foreign investment, and to dispose, in an orderly manner, of many of the state enterprises acquired under the previous government. A.I.D. has played a major role in all of these reforms, in particular through the provision of technical assistance for their implementation.

Early in the new administration, the pervasive system of price and import controls was dismantled. In addition, marketing board monopolies for coffee, citrus, and bananas were eliminated in 1984 and 1985, and progress in this direction has been made for cocoa and sugar marketing boards.

Under the previous government, the highly progressive income tax system which reached a rate of 65% at relatively low levels of income was regarded as a major disincentive to production and a source of widespread economic distortions and tax evasion. An extensive A.I.D.-financed analysis of the Jamaican tax system led to a national dialogue on this issue, and to the enactment of a new tax code with a 33% top tax rate for both individuals and corporations.

After several years of effort, the exchange rate was unified in late 1983, and most quantitative restrictions on imports have been eliminated. Price controls on numerous food imports were eliminated and replaced by a food stamp program for low-income consumers. Beginning in October 1985, the Government of Jamaica has attempted to stabilize the exchange rate at 5.5 to the dollar. However, no attempt to reintroduce the multiple exchange rate practices or quantitative restrictions of the Manley era has occurred.

The hundreds of state enterprises acquired by the previous government presented the Seaga administration with a serious dilemma. In the depressed economic circumstances which the government faced in the early 1980s, there was no ready market for these enterprises. In the case of hotel properties, many of which the Manley government had acquired after making good on loan guarantees after enterprises went bankrupt, the Seaga government decided as an interim measure to return them to private operation by leasing them to private operators.

In November 1986 the government, encouraged by A.I.D. and assisted by extensive A.I.D.-financed technical assistance, sold the National Commercial Bank, the largest commercial bank on the island and the largest state enterprise in terms of total assets, through a widely subscribed public stock offering. The government announced in March that it will sell the state-owned cement company through a similar public offering. The government also plans to sell the hotel properties it now owns.

During the past year, A.I.D. has had some policy disagreements with the Seaga government, chiefly related to the Prime Minister's desire to follow a more expansionary demand management policy than we, at the time, believed sustainable. In recent months, this disagreement has been resolved, in part, by a scaling back of the Seaga government's investment plans and, in part, by our coming to realize that the fiscal and balance-of-payments windfall associated with the fall in world petroleum prices would, in fact, permit a somewhat more expansionary demand management stance.

PROPORTION OF SECTION 105 FOR BASIC EDUCATION

SENATOR KASTEN: Mr. McPherson, a substantial body of donor literature reports that the most cost-effective investments in education are at the primary level, especially for females, and that the success of development efforts in agriculture, health, nutrition and population varies directly with the number of children completing primary school. A report commissioned by PPC states that the proportion of A.I.D.'s education funds going to basic education has dropped from 30% to 20% under your watch. How do you explain this?

MR. MCPHERSON: A.I.D. agrees with the research findings on the importance of raising primary school completion rates, especially for females. In fact, much of this research was supported by A.I.D. and many of the studies reflect evidence drawn from A.I.D.-assisted education reform efforts.

By far the largest part of the resources necessary to develop and sustain school systems for any nation's children must be raised and administered locally. A.I.D. is encouraging greater attention to (a) improving the management of education resources, at all levels, (b) decentralization of management and financing responsibilities and (c) research and experimentation with educational media and technology to extend education cost-effectively. Though the resources necessary for such indirect support of basic education reform are relatively modest, they are critical to the ability of countries to identify bottlenecks and inefficiencies in their own systems and make the administrative and policy changes necessary to allocate their own resources more effectively and equitably.

Though funding for basic education has declined as a percentage of the Education and Human Resources Development (EHR) account, the actual level of funding has increased. The share of Development Assistance EHR allocated to basic education was approximately 30% in FY 1981 and 27% in FY 1986. However, funding for basic education under this account increased from $30.3 million in FY 1981 to $48.3 million in FY 1986. The projected reduction to $33.1 million, or 22% of Development Assistance EHR for FY 1987, reflects the substantial reduction (to $150.7 in new obligation authority) from the level requested.

Total funding for Education and Human Resources Development increased from $102.9 million in FY 1981 to $181.9 million in FY 1986. The increase enabled A.I.D. to support other human resources development activities in addition to basic education.

Participant training is critical to transferring technology, strengthening key institutions, and improving private and public sector management. Efforts to strengthen democratic trade unions and improve technical training capacities are essential for economic development. This account also provides administrative and analytic support for training components under other functional accounts and in the ESF programs.

Development Assistance
Section 105
Education and Human Resources Development

	FY 1985 Act. Oblig. ($million)	FY 1986 Act. Oblig. ($million)	FY 1987 OYB Est. ($million)	FY 1988 105 Request ($million)	FY 1988 Africa Fund
Total	186.6	181.9	150.7	123.6	48.3
Basic Education	52.2	48.3	33.1	25.8	17.3
Participant Training, Manpower Development	78.7	88.7	73.4	52.5	19.7
Vocational Training	18.3	6.2	4.3	11.6	3.7
Labor	16.9	16.6	14.3	11.4	4
PVOs	8.2	6.8	8.8	7.2	.8
Research, Planning, Other	12.3	15.3	16.8	15.1	2.8

	FY 1985 Act. Oblig. (percent)	FY 1986 Act. Oblig. (percent)	FY 1987 OYB Est. (percent)	FY 1988 Request (percent)	Africa Devel. Fund
Total	186.6	181.9	150.7	123.6	48.3
Basic Education	28%	27%	22%	21%	36%
Participant Training, Manpower Development	42%	49%	49%	42%	41%

	FY 1985 Act. Oblig. (percent)	FY 1986 Act. Oblig. (percent)	FY 1987 OYB Est. (percent)	FY 1988 Request (percent)	Africa Devel. Fund
Vocational Training	10%	3%	3%	9%	8%
Labor	9%	9%	9%	9%	8%
PVOs	4%	4%	6%	6%	2%
Research, Planning, Other	6%	8%	11%	12%	6%

EDUCATION IN SOUTH ASIA

SENATOR KASTEN: Mr. McPherson, the lowest adult literacy rates and primary school enrollment ratios in the world are in South Asia. At the same time, A.I.D.'s education budget for this region is almost zero. How do you explain this budgetary paradox?

MR. MCPHERSON: I agree. There is a budgetary paradox, since we have relatively few resources going toward a very large problem area. We would like to provide more resources for education and manpower development in South Asia, but we are unable to do so. At current overall budget levels we have been forced to choose what we feel are higher priorities in health, child survival, agriculture and private sector development.

The total picture is brighter, however, since the World Bank is already heavily involved in the education sector in both Bangladesh and Pakistan. The Government of India, with a very substantial primary education effort of its own, has not sought U.S. aid in the field for a long time. Also, Sri Lanka with 86 percent literacy, is only 10 percent below the U.S. literacy rate.

Nevertheless, we are concerned and are undertaking primary education initiatives in three of these countries: Pakistan, Afghanistan and Nepal. We have recently done an assessment of primary education in Pakistan and are now discussing with the Government the possibilities for a major project, beginning, we hope, in fiscal year 1988. In our program to support the humanitarian needs of the Afghanistan resistance we have already begun a project in primary education. This project will eventually support up to 2,000 primary schools in Afghanistan. Our education progam in Nepal aims at higher instructional quality at the primary school level as well as sounder management at the policy level. The Radio Education Teacher Training project II had reached 6,700 teachers as of 1986 and will add 1,500 a year beginning in 1987.

INCREASE IN OPERATING EXPENSES

SENATOR KASTEN: Mr. McPherson, in fiscal year 1982, the first year that you were fully responsible for A.I.D., operating expenses totalled $331 million. Your request for FY 1988 is a 36% increase over the FY 1982 number. Don't you in fact, have significantly fewer people, and of course, your program has not grown that much. Therefore, how do you explain such an increase over this time period?

MR. MCPHERSON: While it is true that the Agency's direct hire workforce level has been reduced from FY 1982 to FY 1988 (most of the reduction in U.S. direct hire being in Washington offices and bureaus), several factors have combined to cause a continuing increase in the operating expense requirements of the Agency.

For example, while the U.S. direct hire workforce level has dropped by almost 6% during the period FY 1982 to our budgeted FY 1988 level, the average salary and benefit cost per workyear will have increased by about 42%. This is due to primarily three factors: first are federal pay raises of 4% in October 82 and January 1984, 3.5% in January 1985, and 3% in January 1987; second was the implementation of the Foreign Service Act of 1980, the full impact of which began to be felt in FY 1982 and 1983; and third is the impact of the new Federal Employees Retirement System, which will cost about $20 million in FY 1988.

During this period our U.S. direct hire workforce overseas has remained relatively constant. Our Foreign National direct hire workforce has declined, but this was achieved primarily by relying on contractors to obtain services. With what has been basically a constant total workforce level overseas the cost of operations of our overseas missions will have increased by about 21%. The inflation rate impacting on our overseas budgets has been on the order of 7% per year. This equates to an increase in overseas costs for the period of roughly 50%, more than double the actual increase in our overseas budgets.

In addition to dealing with the impact of inflation on overseas costs, the Agency has had to begin providing security guards at most offices and residences overseas, costs which were negligible in FY 1982. We have also automated most of our overseas missions during this period, with attendant increases related to systems maintenance, software and hardware, and supplies. The automation of our overseas missions has been a great contributing factor in enabling the Agency to improve its managerial oversight responsibilities without increasing staffing levels.

Washington costs have also been hit by the effects of inflation during this period. A single example will illustrate this. The total cost of office rents and utilities in Washington in FY 1982 was $6.9 million for 573,000 square feet, or about $12 per square foot. By FY 1988, the Agency will have reduced its office space requirements in Washington by over 60,000 square feet. However, the FY 1988 cost to the Agency of this reduced square footage will be $15.7 million, or roughly $31 per square foot. This is an increase of 158% in the average cost per square foot, an increase over which the Agency has no control.

CONGRESSIONAL REPORTING REQUIREMENTS

SENATOR KASTEN: Mr. McPherson, you and Deputy Secretary Whitehead, strongly urged the conferees in last year's consideration of the Foreign Assistance Bill to drop a provision that the Senate had included which would have required the Administration to cease obligation and disbursement of foreign asssitance funds if a report required by the law or reports accompanying the law were late in coming up here. We included that provision because we have had a very bad experience in getting reports in a timely manner. After you and the State Department insisted that you would do better in the future and not be late in providing the reports, we agreed to drop the provision. Well, we're back in the same situation again. The 653 Report was several weeks late. We have not received the voting practices report, and frankly, there are probably others, though those are the primary two. In view of your continuing poor performance in providing reports to us in a timely fashion, why shouldn't we reintroduce that provision, and this time, not give in to your pleas that you will try to do better?

MR. MCPHERSON: We share your concern that required reports, on occasion, have been submitted late. We are frankly doing our best to forward our reports in a timely manner and we will try to do better in the future.

However, there are reasons why the reports which you have cited are sometimes late. The foreign aid program comes under considerable and continuous scrutiny, from within the Administration, from Congress, and from outside the government. Our reporting requirements have grown annually as have the number of requests for ad hoc analyses and reports, many of which are mandates from the Congress itself. Reporting requirements are frequently overlapping. For example, with the acceleration in FY 1987 of the submission dates for the President's Budget and the Congressional Presentation, these exercises now overlap with the work required for the 653 (a) Report.

Secondly, at a time when our workload and documentation requirements are increasing, our staffing levels have been decreasing, thus exacerbating the problem. We recognize that accurate and timely information is required to ensure that scarce foreign assistance resources are used wisely, particularly in times of budget austerity. Nonetheless, the overall reporting requirements, requests for information, and our program requirements routinely exceed the capacity of our staff, particularly when reporting and information requirements overlap. Complexities in interpreting and implementing the legislation can also delay the decision process.

We recognize your need for timely information. The best approach to solving the problem may be to undertake a review of all recurrent reporting requirements with the objectives of identifying Congressional priorities and matching reporting requirements with agency capability to respond.

MDBs AND THE ENVIRONMENT

SENATOR KASTEN: A.I.D. has a well developed environmental assessment program. You have someone in mission countries who is assigned the duties of environmental officer (they may also have several other assignments), you have regional environmental officers, and you have some real experts in international environmental affairs.

My impression is that A.I.D. is generally recognized as one of the best institutions on the international environmental issue.

What do you think the MDBs could learn from A.I.D. about how to establish its environmental review capacities?

MR. MCPHERSON: There are several important lessons that the Multilateral Development Banks (MDBs) could learn from A.I.D. which might assist them in establishing environmental review capacities and in assuring the effectiveness of the review process. We have found it very useful to maintain environmental staff in our regional bureaus and regional field offices. These are the offices which are directly responsible for working with our country missions. In this way the staff responsible for environmental reviews serve as members of the team responsible for all aspects of project design.

We feel it is important that environmental review begin at the very earliest stages of project design, and that the review consider the environmental effects of alternative possible project designs. Host country people representing the government, local communities, and non-governmental organizations should be involved in the review process to the extent possible. Finally, the initial environmental review undertaken during the project design, should be followed by careful monitoring during project implementation to validate the initial assessment and to ensure that mitigation measures are undertaken as proposed.

MDBs AND THE ENVIRONMENT

SENATOR KASTEN: Do you believe that it would be productive for A.I.D. to share its techniques used in developing and operating the "early warning system" with the MDBs?

I believe the MDBs could learn a lot from the A.I.D. system.

MR. MCPHERSON: The "early warning system" is basically a system used by A.I.D. to solicit information from its field missions about a number of issues raised by projects which have been proposed for funding by the multilateral development banks. When information is provided that suggests potential problems with a proposed project, A.I.D. in conjunction with State and Treasury, works with the offices of the respective Bank's U.S. Executive Director to resolve the problem. This process has been especially useful in developing information about environmental problems and in trying to resolve them with Bank staff.

The MDBs would probably benefit from setting up an enhanced internal review process to be sure that questions regarding environmental issues are raised and addressed systematically during the project development cycle.

MANAGEMENT OF EDUCATION RESOURCES IN AFRICA

SENATOR KASTEN: Many African countries enroll fewer than half of their children in school, and see only half of these children complete primary school. If this trend persists into the year 2000, these countries will waste approximately eight billion education dollars. Does A.I.D. have the capacity to leverage small investments to improve the management of African education systems? How long would it take and how much would it cost to reach a goal of 80% enrollment with 80% completion?

MR. MCPHERSON: The Africa Bureau's proposed strategy for basic education will emphasize the importance of improving the management of African education systems. This includes a whole spectrum of management concerns from educational planning and data management to equitable certification and promotion policies for teachers and a rational framework for decision making relative to allocation of financial resources. Improving the efficiency of education systems, including measures to reduce dropout and grade repetition for those who do enroll, is essential.

We would consider 80% enrollment with 80% completion achievable within the next decade in any African country prepared to make necessary policy reforms and reallocations of education resources.

DEOBLIGATION-REOBLIGATION AUTHORITY

SENATOR KASTEN: I noticed that the deob-reob provision that you sent up greatly limits use of that type of authority. Have you been unhappy with the authority the committee has provided in the last several years?

MR. MCPHERSON: No. As a matter of fact, I have been pleased that you have provided us with this very important management too.

For FY 1987, Congress estimated that the Agency would use $100 million in deobligation/reobligation authority. Based on our experience with deob/reob authority this year, this figure appears to be somewhat high. We have so well utilized this authority in the past, that we do not expect as much use of it this fiscal year.

We are requesting only $25 million for deob/reob authority in FY 1988, based on the utilization we expect will be made of the authority next fiscal year. Although we are estimating a relatively lessened use of deob/reob authority in FY 1988, we continue to recognize this authority as an extremely valuable management tool.

DEVELOPMENT ASSISTANCE EARMARKS

SENATOR KASTEN: In your prepared statement you complained about congressional earmarks, and I sympathize and understand your viewpoint on this matter. At the same time, however, when we instead provide direction through the report instead of earmarking, we many times find ourselves having to fight with you after we have given direction, as has been the case with our direction that you spend a certain amount of funds on the Energy Office. Again this year, notwithstanding our direction that you spend $10 million, your agency was prepared to spend only $3 million until we intervened. And then, we settled on a sum of $7 million. Given this type of activity, why shouldn't we earmark for these types of congressional priorities?

MR. MCPHERSON: We are aware of your concern that Congressional priorities be recognized in the funding allocation process. Please be assured that priorities reflected in report language are carefully considered. However, in allocating funding under the FY 1987 Continuing Resolution, A.I.D. was forced to respond to multiple and sometimes contradictory requirements from earmarks and other commitments, compounded by reductions to overall funding levels, and serious imbalances in the functional account mix.

A.I.D. considers that earmarks are, in general, counterproductive and reduce the flexibility which is required to respond to program requirements and to changing circumstances. Until FY 1987, Development Assistance (DA) had not been heavily earmarked. In FY 1987, however, approximately 45% of DA was earmarked, made subject to bureau funding floors, or otherwise committed under the Continuing Resolution. A.I.D.'s flexibility was further reduced by the imbalances in the functional accounts and particularly the disproportionate reduction in Selected Development Activities (Section 106).

The Energy Office of the Science and Technology Bureau is a case in point. The FY 1987 Congressional Presentation had proposed a funding level of $7.5 million for the Energy Office. Although the Continuing Resolution reduced funding for the functional Development Assistance programby by just 4%, after bureau floors for Africa and Central America, earmarks and other commitments, funding for unprotected bureaus was reduced 19% overall from the request. The Section 106 account, under which the Energy Office is mostly funded, was cut 43% from the request for unprotected bureaus. In this context, and because the rest of the agency must rely on the 106 account for private sector, energy, cooperatives, and other priority activities, we concluded that it was simply not possible to meet the level of $10 million for the Energy Office.

We are clearly in a time of budget austerity, and A.I.D. must do its part. When budgets are reduced, agency management needs even more flexibility to obtain results with fewer resources. Taken individually, earmarks and other expressions of priority may seem reasonable and appropriate. Collectively, however, they hamstring the Agency.

QUESTIONS SUBMITTED BY SENATOR NICKLES

A.I.D. ASSISTANCE IN AFRICAN COUNTRIES TO FIGHT AIDS

SENATOR NICKLES: Would you supply for the record, and also to my office, historical figures and projections on the number of cases of Acquired Immune Deficiency Syndrome (AIDS) on the African continent. Is the United States, through your agency, assisting the African countries fight the AIDS epidemic.

MR. MCPHERSON: Officially reported cases from Africa as of February 13, 1987, were 2,445, according to the World Health Organization (WHO). Historical data are either weak or non-existent. Nevertheless, selected studies suggest that cases of AIDS in Africa were rare until the late 1970s and early 1980s, a pattern similar to that in the United States and Haiti.

It is widely acknowledged that the number of officially reported cases are only a fraction of actual AIDS cases. Of equal or greater importance is the number of people infected with the human immunodeficiency virus (HIV). Only crude estimates of the prevalance and incidence of HIV infection and AIDS are available; nevertheless, a minimum estimate by WHO for the African continent includes 2 million HIV-infected persons and 10,000 to 20,000 cases of AIDS annually.

The World Health Organization has taken the lead in international efforts to contain and combat AIDS. We are committed to supporting the WHO Global Program on AIDS and to working closely with them. Last year, the United States was the first contributor to WHO's Global Program with grants totalling $2.0 million. Additional support is planned during this fiscal year.

Other A.I.D. Efforts to Combat AIDS include the following:

--A.I.D. has developed policy guidance on AIDS and is developing Agency programs based on this policy.

--A.I.D. is using existing family planning mechanisms including operations research for AIDS prevention when requested by host country governments.

--We are developing new mechanisms to provide other types of support to countries, including technical assistance, training, commodities and logistics, surveys, and operations research, including operations research on public health communication on AIDS.

--Because the spread of HIV and AIDS is the most extensive on the African continent, a large share of resources associated with the above actions will be directed to African countries.

P.L. 480 OCEAN FREIGHT

SENATOR NICKLES: In the Summary Tables for FY 1988, there is an item listed under P.L. 480 "Ocean Freight." The total listed for this item is $293,968,000, 36.6% of the total for the P.L. 480. It appears to be more than we paid for the P.L. 480 goods. Would you please provide for the record, and to my office, what exactly this item pays for and what part our "cargo preference" laws play in making transportation more than one-third of our Food for Peace program?

MR. MCPHERSON: The budget item of $293,968,000 is the total estimated cost associated with the movement of all P.L. 480 (Title

I/III and Title II) commodities for fiscal year 1988.

Transportation costs account for approximately 21% of the overall P.L. 480 budget. Per metric ton transportation estimates used to formulate this budget item are quite conservative. Of these funds, $97.7 million is the estimated differential cost of shipping 50% of Title I cargo on U.S. flag vessels, inland, and in some emergency programs, internal (i.e., inland costs to point of distribution) transportation for Title II commodities. This amount should be sufficient to ship the 1.9 million metric tons mandated under Title II (50% on U.S. flags) if ocean transportation rates remain low.

Any additional costs associated with the 1985 Farm Bill which increased the required use of U.S. flag vessels, i.e., all costs attributed to shipping more than 50% of P.L. 480 cargo on U.S. flag vessels, is absorbed by the Department of Transportation budget. The overall requirement for U.S. cargo preference increased as of April 1987 to 70% and will increase again on April 1, 1988, to 75 percent.

QUESTIONS SUBMITTED BY SENATOR CHILES

MEDITERRANEAN FRUIT FLY ERADICATION

SENATOR CHILES: What is the agency's opinion of the current Mediterranean fruit fly eradication project in Central America?

MR. MCPHERSON: Starting in August 1986, A.I.D. has been meeting regularly with representatives of the Department of Agriculture (USDA) to analyze various aspects of this project and to identify opportunities for collaboration between our two agencies. We have identified several areas of concern and are working with the USDA to resolve these concerns.

Since the project will involve widespread use of malathion as well as the use of ethylene dibromide (EDB), a chemical banned for most uses in the United States, we are concerned that any A.I.D. support for the project be consistent with our environmental regulations. Accordingly we have, in cooperation with the USDA, prepared a scope of work for an environmental assessment of the ongoing eradication project in Guatemala. The scope of work has been reviewed by USDA; their comments have been incorporated in the document; and the scope of work is being reviewed by several interested environmental groups. A similar assessment would be needed for the larger Central America project and would probably cost over $1 million.

We are also collaborating with USDA to identify economic benefits to the Central American countries so that, if appropriate, we can assist them in paying their fair share of the costs. Since several other species of fruit fly are endemic to the region, economic benefits of eradicating the Mediterranean fruit fly are likely to be minimal. To date, the major benefit to Central America appears to be a possible increase in citrus exports. However, since other species of fruit fly which will not be controlled by this project also infest citrus, an increase in citrus exports from Central America is not likely until control measures can be developed for these other fruit fly species. The United States and Mexico would probably be the major beneficiaries of a successful project.

We are further concerned with the technical and economic feasibility of carrying out the proposed project in Central America at this time. We suspect that it might prove extremely difficult to carry out the necessary ground and air operations in the current atmosphere of political and civil unrest in the region, especially in Nicaragua, El Salvador, and the border areas of Nicaragua's neighbors.

Nevertheless, we recognize the desirability to the citrus industry of keeping the medfly at a distance from the United States and assisting neighboring countries to be free of the medfly. Therefore, we hope that A.I.D., USDA, and the United Nations Food and Agriculture Organization can find a way to overcome these obstacles, but it should be recognized that the problems are significant.

SENATOR CHILES: Since this will benefit the Central American economy, how does A.I.D. propose to assist the U.S.D.A. in the funding of this project?

MR. MCPHERSON: Earlier this year we funded preparation of a scope of work for the environmental assessment of the ongoing Mediterranean fruit fly eradication program in Guatemala. The A.I.D. Mission in Guatemala proposes to allocate the local currency equivalent of $200,000 to carry out the assessment. We are discussing with USDA the financing of the remaining $250,000 in U.S. dollar costs. We are also working with USDA to define the further use of P.L. 480 local currency to support a USDA program which is environmentally sound and supports our economic development objectives in Central America.

P.L. 480 derived local currency funds have been used to support related activities in several Central American and Caribbean countries. These activities include surveys to identify fruit flies and other pests which may be constraints to these countries' efforts to develop non-traditional exports, development of quarantine procedures, and strengthening of national plant and animal health protection services. The Assistant Administrator for Latin America and the Caribbean instructed the Central American Missions to develop the information necessary for Central American countries to evaluate the economic impact of the Mediterranean fruit fly and other fly species.

There are, however, significant problems which must be resolved before A.I.D. and USDA can successfully support an eradication program. The program involves broad-scale open spraying of a pesticide (baited malathion) to reduce fly populations, and an Environmental Protection Agency banned pesticide (EDB) used to treat produce moving from fruit fly infested zones to clear zones. As noted above, A.I.D. regulations require that an environmental assessment be prepared, and any significant issues resolved, before resources may be committed to such a program. We are also concerned with the political feasibility, under existing regional political conditions, of a program involving low flying aircraft over conflict areas of Nicaragua and El Salvador. Finally, given A.I.D.'s mandate, we must evaluate the appropriateness of A.I.D.'s contribution to this program based on the probable economic benefits to the Central American countries, which have yet to be adequately quantified.

We are working intensely with the USDA and the Department of State to address these issues. We are hopeful that they will be resolved, and will then support eradication and quarantine efforts in the Central American countries, in accordance with the resources available.

SUBCOMMITTEE RECESS

Senator INOUYE. I think Mr. Whistle is coming over. We will be discussing clinical government assistance programs, so until Thursday, this subcommittee will stand in recess.

[Whereupon, at 11:55 a.m., Tuesday, March 17, the subcommittee was recessed to reconvene Thursday, March 19, 1987.]

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, MARCH 19, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:10 a.m. in room S–126, the Capitol, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Lautenberg and Kasten.

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM AND POLICY COORDINATION

STATEMENT OF RICHARD E. BISSELL, ASSISTANT ADMINISTRATOR FOR PROGRAM AND POLICY COORDINATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

INTRODUCTION OF WITNESSES

Senator INOUYE. The subcommittee will please come to order. This morning we continue our examination of the President's request for fiscal year 1988 funding of foreign assistance and related programs. Today we will hear testimony in support of funding requests for country and regional programs for Agency for International Development.

Among the items to be discussed today are the following so-called functional development assistance accounts: Agriculture, Rural Development and Nutrition; Population Planning; Health Development Assistance; Education and Human Resources; and Selected Development Activities.

Appearing before the subcommittee today is a panel of senior officials of the A.I.D. Richard Bissell is A.I.D.'s assistant administrator for Program and Policy Coordination. Dwight Ink is the assistant administrator for Latin America and the Caribbean. Ray Love, a career employee of the agency with long experience in the Africa Bureau, is the acting assistant administrator for Africa.

The subcommittee will defer consideration of the Asia and Near East program until Tuesday of next week, when it expects to receive testimony from Julia Chang Bloch, A.I.D.'s newly named assistant administrator for that bureau.

HEARING AGENDA

Today, the subcommittee will be examining the details of country-level and regional programming of funds appropriated for development assistance. We will also consider certain centrally-administered programs which are financed with funds appropriated for the development assistance accounts. We hope that this will clear up some confusion.

ACCOUNTS TO BE FUNDED

When we speak of functional development assistance, we are speaking of the primary accounts under which appropriations are made for bilateral development assistance. These accounts fund U.S. food production assistance, population planning assistance, health development assistance, education and human resources development assistance, and other selected development activities such as Third World energy production projects. The President has requested $1,145,000,000 for these accounts.

That much is generally understood. Not many people, however, understand that these appropriations fund not only projects and activities carried out by U.S. A.I.D. missions in foreign countries; they also finance what are called centrally-funded programs administered by the Bureaus for Science and Technology, Food for Peace and Voluntary Assistance, Private Enterprise, Program and Policy Coordination, the Office of Foreign Disaster Assistance and the Office of the Science Advisor. Of the $1,145,000,000 requested for functional development assistance, $439.6 million would be allocated to these centrally-funded programs.

To simplify and perhaps to stimulate discussion, let me say that the centrally-funded programs are Washington-based and the remainder of the functional accounts are based in the field: in A.I.D. missions throughout the developing world.

This morning, Mr. Bissell will speak to centrally-funded programs, and the others on the panel will discuss the regional and country-level assistance programs.

Each of you has submitted a rather lengthy statement. We will print them in full in the record of this hearing. In order to preserve time for questions, I would like to ask all of you to submit summary remarks. If I may, may I begin with you, sir, Mr. Bissell?

I'm sorry. It has been 6 years since I have chaired this committee, and I forget. Senator Kasten?

Senator KASTEN. Mr. Chairman, I join you in welcoming our witnesses from A.I.D. today, and I look forward to their testimony.

Senator INOUYE. It takes me a little while. It took me a little while to learn that I lost the chairmanship, and it takes me a little while to realize that I am back again. [Laughter.]

Senator INOUYE. Mr. Bissell?

PROGRAMS TO BE FUNDED

Mr. BISSELL. We are delighted to have this opportunity to go over many issues in detail today. It is our belief that the centrally-funded programs as well as the regional programs of A.I.D. are crucial to an overall development effort.

You have outlined briefly the respective functions in your opening remarks. I simply want to emphasize a few points that we think are very important in the agency in terms of maintaining a balance between the centrally-funded programs and the regional programs.

Each is essential to an integrated effort in Africa, Latin America, Asia and the Near East. And we believe that maintaining this balance is terribly important at a time of limited budget resources. It is very tempting to cut one account or another as we face a difficult future, but we hope that together, and especially through dialogs such as today, we can maintain that balance between the various parts of A.I.D.'s programs.

I would just emphasize a few points about centrally-funded activities, which I go into in some length in my statement for the record. One is that the centrally-funded activities do provide key technical services for the regional and country programs. This has been proven over the years to be of real value to the programs of A.I.D..

A second is the role of centrally-funded programs in fostering private enterprise solutions to development problems, and we think that we have made some real progress over the last 5 years here.

A third is that centrally-funded programs support development to intermediary organizations. Our work with the PVOs, with the cooperatives, with a wide range of institutions has resulted in our support and expansion of these efforts. We believe that in the future of A.I.D., we will continue working through those intermediaries.

In sum, as I say, we hope to maintain that balance. I have two very distinguished colleagues with me today: Dwight Ink to speak to Latin America and Caribbean programs and Ray Love to speak to Africa programs. We certainly welcome your questions.

[The prepared statement of Mr. Bissell follows:]

PREPARED STATEMENT OF RICHARD BISSELL

ASSISTANT ADMINISTRATOR
BUREAU FOR PROGRAM AND POLICY COORDINATION
AGENCY FOR INTERNATIONAL DEVELOPMENT

Introduction

Mr. Chairman, it is a pleasure to appear before you to present details of the Administration's FY 1988 proposed program for foreign economic assistance. Also appearing before you are the Assistant Administrators for our regional bureaus: Ms. Bloch for the Asia/Near East Bureau, Mr. Ink for the Latin America and Caribbean Bureau, and, for the Africa Bureau, Mr. Love, Deputy Assistant Administrator.

As the Administrator has testified, the fiscal constraints with which we in A.I.D. are confronted challenge our ability to develop a bilateral economic assistance program which will meet growing demands and new opportunities with very limited resources.

In that context, we are here today to provide details of the regional and centrally-funded activities for which A.I.D. has requested funds as part of the President's FY 1988 budget. I will discuss mainly the centrally-funded aspects of that request. My colleagues will discuss the regional programs within our overall request.

The overall proposed FY 1988 A.I.D. budget for Development Assistance, includes a total of $1.145 billion for the Functional Development Assistance accounts -- virtually the same as the amount provided for comparable accounts in the current fiscal year. Within that request, we propose to allocate $439.6 million to centrally-funded programs administered by the Bureaus for Science and Technology, Food for Peace and Voluntary Assistance, Private Enterprise, Program and Policy Coordination, the Office of Foreign Disaster Assistance, and the Office of the Science Advisor.

The centrally-funded programs administered by these bureaus and offices support several key components of our global development effort -- basic and applied research, development and testing of appropriate technology, activities to involve private enterprise in development, privatization, support for cooperative development and private voluntary organizations, environmental concerns, and international disaster assistance. These programs are centrally-funded because of their world-wide focus, and because of efficiencies from consolidated central management.

I would like to address details of the request in more specific terms. We are requesting a total of $241.9 million for the Science and Technology Bureau, including $14.7 million for the Science Advisor. For the Food for Peace and Voluntary Assistance Bureau, we have requested $62.9 million, including $20 million for ASHA. The request for the Private Enterprise Bureau is $32.4 million including $12 million for the Private Sector Revolving Fund. We are requesting $25 million for the Office of Foreign Disaster Assistance. For programs in support of Women in Development activities, policy development and evaluation and activities carried out jointly with the Peace Corps, we have requested $12.4 million. And for support of the International Agricultural Research Centers we request $40.0 million. These centrally-funded activities are critically important to the successful implementation of our foreign assistance program in a number of areas. They:

-- Supply technical expertise to A.I.D. regional bureaus and field missions worldwide to assist developing countries in specialized fields such as agricultural production and rural development, family planning, nutrition, renewable and conventional energy, disaster preparedness, environmental activities, privatization, financial market development, and the better integration of private enterprise to achieve balanced, equitable and sustained growth;

-- Seek new solutions to development problems by financing experimental projects and pilot programs and by developing and exploring new applications of science and technology and private enterprise;

-- Provide guidance and impetus to the Agency's private sector development initiative which seeks to make a vital contribution to economic growth and social development through job creation and sustainability, the transfer of technology and management skills, and increased productivity;

-- Focus our non-governmental development activities through assistance to cooperatives, private voluntary organizations and other private sector and family planning intermediaries;

-- Provide emergency relief and rehabilitation assistance to countries stricken by natural disasters and other emergencies; and

-- Support schools, libraries and hospitals abroad funded or sponsored by private U.S. non-profit organizations.

I would like to address some of the specific ways in which these centrally administered programs support our bilateral assistance efforts.

First, A.I.D.'s centrally-funded activities help to increase the effectiveness and efficiency of our bilateral programs by providing key technical services through contracts and other arrangements with universities, private firms and U.S. Government agencies in high priority development sectors; by testing solutions that address key problems in pilot projects that field missions can replicate in other countries and regions; and by maintaining a core staff of multi-disciplinary specialists who can advise and assist missions and developing countries in planning, designing and implementing their programs.

Second, centrally-funded programs are important to A.I.D.'s effort to foster private enterprise solutions to development problems. The private sector can increase its vital contribution to economic and social development through job creation, the transfer of technology and management skills, and increased productivity to help developing countries achieve sustainable economic growth with equity. Through the central Bureau for Private Enterprise (PRE), A.I.D. carries out activities in support of business initiatives and housing and urban development. PRE serves as a laboratory for innovative and experimental programs that capitalize on available business expertise and utilize, to the maximum extent possible, both U.S. and LDC private enterprises to achieve development objectives. PRE's programs emphasize and target small/medium sized indigenous enterprises which have considerable impact on the achievement of economic growth and basic human needs objectives. The PRE Bureau works closely with field missions to develop country strategies and projects designed to utilize private enterprise as the mechanism for delivering assistance. PRE focuses its efforts on removing impediments to private enterprise growth; financial markets development; transfer, adaptation, and commercialization of technology; and divestiture and privatization.

Significant progress has been made in the five years since the private enterprise initiative was inaugurated. The policy framework for private investment has been improved in a number of countries; new capital market institutions have been created and the capabilities of existing institutions have been improved and expanded; and training programs for local entrepreneurs and business managers have been conducted. The Revolving Fund, approved by Congress in FY 1983, enhances the impact of private sector activities by providing loans to private financial institutions at market rates to fill gaps in developing country capital markets as well as demonstrating to both A.I.D. missions and host country governments that there are private sector solutions to many development problems.

Third, centrally-funded programs support development through intermediary organizations. Private assistance organizations have become invaluable members of the foreign assistance community, both as channels for the effective use of U.S. contributions and as vehicles for bringing substantial private resources to the overall development effort. They have demonstrated a capacity for mounting programs that effectively meet the needs of the poor. A.I.D. provides centrally-funded assistance to the following types of intermediary organizations:

--Private and Voluntary Organizations (PVOs) have established reputations as concerned and effective contributors to the U.S. development effort. Support of these organizations permits A.I.D. to share with the private voluntary community greater responsibility for implementing the nation's foreign assistance programs. A.I.D. proposes $28.9 million for its centrally-funded PVO program for FY 1988.

--Cooperative Development Organizations (CDOs) in several sectors, including agriculture and housing, have proven to be effective in achieving development objectives through the promotion of cooperative and credit union development in LDCs. Capitalizing on the broad expertise of major U.S. cooperative organizations, A.I.D. proposes $3.7 million for its centrally funded CDO program for FY 1988. To make more effective use of these cooperatives in the future, we have recently transferred responsibility for the coop program to the Bureau for Food for Peace and Voluntary Assistance.

--Population Cooperating Agencies, including private voluntary and international organizations, have extensive experience and expertise in providing family planning services. Such private organizations help to diversify the services and information available to the poor and provide an important alternative to government-to-government programs.

--International Agriculture Research Centers (IARCs) are linked with United States and LDC national research programs and form an important element in a global network of research centers that develop and supply scientific and technological expertise needed to expand world food production. There are 12 centers for which $40.0 million is requested in FY 1988 as the U.S. contribution.

--Institutions described in Title XII of the Foreign Assistance Act (U.S. land and sea grant universities and other eligible institutions) support the application of more effective agricultural technology to increase world food production. A.I.D. is proposing grants of $5.9 million to these institutions in FY 1988.

In summary, I believe that our FY 1988 request for centrally-funded programs is a critical element of our overall bilateral economic assistance budget and vital to the successful accomplishment of the development objectives which we have set forth.

Thank you, Mr. Chairman. I will be happy to respond to your questions.

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LATIN AMERICA AND THE CARIBBEAN

STATEMENT OF DWIGHT A. INK, ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN, AGENCY FOR INTERNATIONAL DEVELOPMENT

ADVANCES IN DEMOCRATIC GOVERNMENTS IN LATIN AMERICA

Senator INOUYE. Mr. Ink, do you have any statement to submit?

Mr. INK. Yes, sir.

Mr. Chairman, there are several comments I would like to address. One, I would like to emphasize our view that the programs, we feel, are necessary not only from the standpoint of helping the people in the countries of Latin America, the Caribbean, but we believe it is very much in the United States' interest that we do what we can to help ensure stable democratic governments as the best way of avoiding economic crises and violence among our neighbors to the south.

We believe there has been some progress that has been made over the last couple of years in Latin America and the Caribbean. The percentage of people living under democratic governments has risen dramatically from roughly 30 percent to roughly 90 percent today.

We think the countries deserve a great deal of credit for that progress. But we recognize that many of these democratic institutions are fragile and therefore, with the problems that exist, cannot sustain those systems effectively without additional assistance.

ECONOMIC GROWTH AND STABILITY

The economic stability, we feel, is really a precondition to sustained improvement and the quality of people's lives. We think the economic support funds have been helpful in maintaining essential imports for production and to help cushion the effect of the decline in economic activity which hit the low-income people particularly hard.

Sustained economic growth, of course, is necessary to enable the countries to end widespread poverty and meet other needs of their population. The ESF provides an opportunity to work with the Governments to achieve policy reforms they need to stimulate economic growth and private investment.

The economic growth by itself, of course, is not enough, as the Kissinger report pointed out with respect to Central America. There needs to be a spreading of the benefits of that growth as countries move forward. Therefore, a number of our activities, both projects tied to ESF and funded by development assistance, are focused toward agricultural areas, child health programs and many other activities with which you are familiar.

INFANT MORTALITY RATE

In Central America, the infant mortality rate has declined somewhat, from 61 percent in 1963 to an estimated 57 per thousand in 1986. Primary school completion rate continues to gradually increase. We have provided training for many teachers in a number of the countries.

PEACE SCHOLARSHIP PROGRAM

The Central American Peace Scholarship Program, which this committee has supported so strongly, is moving forward. In 1986, we had something like 3500 students that had begun training which substantially exceeded the target that we had set for that year.

ECONOMIC PROGRASS

Progress on the economic front, while favorable, is nevertheless slow. This is substantially because of external factors, though not entirely so. Many of the world prices have remained low. Coffee prices, which went up, now have gone down far below where they originally were. The growth rate in the world's industrial countries has fallen. Concerns about protectionism have, I think, dampened the enthusiasm with which private investment is attracted to these countries. Narcotics trafficking and terrorism challenge the Andean leaders. And the Nicaraguan problem and the insurgency in El Salvador, of course, continue to present problems.

We have forwarded a request for additional funding of $300 million, of which $100 million is for reconstruction assistance in El Salvador following the earthquake. I would simply point out that without this additional funding, the shortfall below what the Kissinger Commission had recommended would reach about $1 billion through fiscal year 1987.

NARCOTIC PROBLEMS IN LATIN AMERICA

The narcotics area is very significant from the standpoint of many people in the United States as well as in Latin America. We, of course, are not in any way involved in enforcement, but we are working to help the countries bring to their people a new awareness of the cost of narcotics with respect to their own communities and their own people.

We also have in Bolivia and Peru programs designed to provide an opportunity for those farmers which have eradicated the coca to move into other income areas. I want to stress that crop substitution does not result in eradication. There has to be an interdiction effort. But once interdiction has occurred, and once eradication has taken place, there is a need for farmers to have alternative income.

The congressional earmarks, particularly in the ESF area, combined with regular budget reductions did impact on resources for Latin America, although this committee was very helpful with respect to minimizing that impact on Central America.

MANAGEMENT CHANGES

Mr. Chairman, we have also put a good deal of effort during the year into management changes. The very broad-ranging management by objective system has been installed under which objectives are woven into our program management in support of broad goals. The action plan which we have for each mission is the heart of that system.

Our pipeline has been reduced. We have developed jointly with the Science and Technology Bureau a breakdown structure to improve competition and cost containment, assist in training.

Despite substantial gains, however, we have problems in the management area. We continue to be handicapped by a shortage of experienced people in the controller and procurement areas. We found some management problems difficult to resolve, more difficult than I had anticipated. In Ecuador, these problems have been very serious.

Mr. Chairman, in conclusion, I would simply emphasize that we believe that economic assistance, economic survival, is important from the standpoint of additional jobs which are needed, additional income which is needed to enable these countries to meet their responsibilities at home. And I think it is important from the standpoint of the United States in terms of a stable Latin America and the opportunity for jobs in this country which can come only through increased trade between the United States and Latin America.

Thank you, Mr. Chairman.

Senator INOUYE. Thank you very much.

[The prepared statement of Mr. Ink follows:]

PREPARED STATEMENT OF DWIGHT A. INK

ASSISTANT ADMINISTRATOR
BUREAU FOR LATIN AMERICA AND THE CARIBBEAN
AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, I am pleased to have the opportunity to come before this subcommittee in this Year of the Americas to testify on our proposed economic assistance program for the Latin American and Caribbean region.

The economic assistance program is vital to the social well-being and economic survival of many people in our neighboring countries in the Western Hemisphere. It is also an integral part of the overall U.S. effort to protect our political, security, and economic interests in the region. Those interests have been seriously threatened by a number of events since the late 1970s, including a severe economic depression, an external debt crisis, the assumption of power by Marxist governments in Nicaragua and Grenada, the activities of terrorist organizations, and the powerful corrupting influence of international narcotics traffickers.

The Administration and the Congress have responded to these challenges through such programs as the Caribbean Basin Initiative (CBI), the Central America Initiative (CAI), a disaster relief effort in the Andean countries, and support for controlling narcotics production and trafficking.

The goals of U.S. economic assistance to the LAC countries have included economic stabilization, policy reforms to stimulate rapid and sustained economic growth, and a wider sharing of the benefits of growth. Special attention is being given to broadening training opportunities for disadvantaged groups; strengthening the quality of primary education; improving health status, particularly among children; expanding access to family planning information; improving access of poor rural families to land; and increasing the availability of credit and technical assistance to small business operators. Equally important has been the goal of expanding and strengthening democratic institutions and traditions. The existence of stable, friendly, democratic governments in the LAC countries offers the best hope for improving the quality of life of the people of these countries and for protecting our interests in the Western Hemisphere.

PROGRESS TOWARDS DEMOCRACY AND ECONOMIC RECOVERY

I am very encouraged by the progress toward democratization the LAC countries have been making. Last year there were free, fair elections in Costa Rica, Colombia, the Dominican Republic, Barbados, and Trinidad and Tobago, with opposition political parties winning office in the last four countries. A longstanding dictatorship in Haiti was toppled, and elections are scheduled for that country later this year. No democratically elected government was overthrown during during 1986, as political opposition groups were increasingly inclined to settle disagreements through the electoral process. Never have there been so many leaders in the Western Hemisphere who have assumed their positions through meaningful elections.

Progress is also being made on the economic front, but the rate of economic recovery remains slow, largely because of external factors. The economic downturn for the LAC region as a whole was reversed in 1984, and the region's annual GDP growth rate over the last three years has averaged 3.1%. While this growth rate is positive in per capita terms, it is far short of the 6.0% average annual GDP growth rate achieved in the 1970s -- a performance we believe can be regained, but which will take time. Moreover, GDP growth has been below the regional average in the smaller and poorer A.I.D.-assisted LAC countries, whose economies are highly vulnerable to external events. The weighted average GDP growth rate for these countries was only 2.0% in 1984, 0.7% in 1985, and 1.8% in 1986.

The state of the international economy is the major reason for the continued slow pace of the recovery in the LAC region. The GDP growth rate in the world's industrial countries fell from 4.7% in 1984 to 3.0% in 1985 and an estimated 2.7% in 1986. The growth of world trade slowed from 8.6% in 1984 to a modest 3.1% in 1985 and an estimated 4.2% in 1986. Although the continued drop in petroleum prices benefited most LAC countries, non-oil commodity prices fell by 12% between 1984 and 1985, and by a further 4% in 1986, thus lowering the region's traditional export earnings. Rising protectionism in the industrial countries further restricted the LAC countries' export opportunities and inhibited new investments. This makes more difficult the development of a broadened export base in these countries, and therefore their capacity to import more U.S. goods.

These adverse developments offset the encouraging gains made by many countries, especially in the Caribbean Basin, in nontraditional exports. These increased exports were due in large part to the policy reforms the countries of the region have undertaken and to the opportunities offered by the CBI. Another positive development, the decline in world interest rates, was offset by disappointingly low levels of new external financial assistance from commercial banks and official sources. These fell well short of the levels recommended by U.S. Treasury Secretary Baker at the joint annual meeting of the International Monetary Fund (IMF) and the World Bank in October 1985.

In Central America, political and security conditions, though improved, remain as another major obstacle to a faster economic recovery and a widespread improvement in living standards. These conditions have inhibited both the significant repatriation of capital sent abroad earlier and the strong upsurge in private investment which the National Bipartisan Commission on Central America (NBCCA) projected when it made its recommendations in January 1984. Governments in the Andean countries have been beset by challenges from terrorists and narcotics traffickers.

Until internal and external conditions improve in the LAC region, the economic recovery will continue to be relatively slow. Meanwhile, U.S. assistance is playing a major role in facilitating both economic stabilization and, simultaneously, the policy reforms needed to ensure sustained economic growth over the long run. Our balance-of-payments assistance has provided the foreign exchange needed to maintain imports of inputs needed by the LAC countries' agricultural and manufacturing sectors. Without that assistance, production would be significantly lower, incomes would be further depressed, and more people would be out of a job. Balance-of-payments assistance has also made it easier for countries to adopt economic policy reforms needed to encourage growth, by cushioning the temporary adverse effects of these reforms -- e.g., currency devaluation, positive real interest rates, and removal of price controls -- on lower income groups.

In Central America, U.S. assistance levels have fallen far short of NBCCA-recommended levels because of budgetary restrictions. Without the additional $300 million we are requesting in FY 1987, the cumulative shortfall will exceed $1 billion by the end of FY 1987.

Two weeks ago we presented to the Congress a report, as required by the FY 1987 continuing resolution, on what would be required to fully fund the CAI. This report shows that additional time will be needed to substantially meet the NBCCA recommendations. We are therefore requesting that the CAI period be stretched out for three years, to run through FY 1992, and that total appropriated funding for the CAI be increased from $6.4 billion to $6.9 billion.

U.S. INTERESTS

The United States has major economic as well as security interests in the LAC region. The LAC countries constitute a major market for our exports. In 1981, at the onset of the region's economic crisis, they bought $42.2 billion of U.S. products, or 18% of our total exports. But as the crisis deepened and foreign exchange availabilities declined, LAC purchases of U.S. goods fell sharply to $25.7 billion in 1983. This cost the United States an estimated 400,000 jobs in export industries. Although U.S. exports to the region recovered to $31.0 billion in 1985 and a similar level in 1986, this figure is still well below the 1981 peak, particularly after adjusting for inflation. It is also far below the potential market in the LAC region for U.S. products.

The United States also has significant investments in the LAC region, amounting in 1985 to $29.5 billion, or 54% of all U.S. direct investment in developing countries. The economic crisis in the region has lowered returns on this investment. In addition, it has threatened the financial position of many U.S. banks with loans to LAC countries which have been unable to keep current on debt servicing. Other major impacts of the economic difficulties in the region have been an increase in illegal migration to the United States and a greater temptation for many persons to turn to the lucrative field of narcotics production and trafficking.

Our primary strategic objective in the LAC region is to support the presence of stable, friendly, democratic governments which provide a climate of political and economic freedoms in which our major security interests, as well as theirs, can be protected and human needs can be better met. U.S. interests include access to petroleum, to other industrial raw materials, and to the unimpeded use of the sea lanes adjacent to North America and the Panama Canal. The region is also important to our efforts to restrict the flow of illegal narcotics and migrants into the United States, to thwart the operations of international terrorist groups, and to prevent the seizure of power by hostile forces.

Latin America accounts for a major share of our worldwide efforts to stop narcotics production and trafficking. A.I.D. is cooperating with the LAC countries in the narcotics control effort through such activities as education programs to increase the awareness by the public of the damage caused by drugs and programs to assist in developing alternative sources of income and employment, once interdiction drives the price paid to farmers for coca below their costs of production and marketing.

The narcotics scourge, generated largely by U.S. demand, is having an increasingly severe impact on the Andean countries. Drug use within these countries is on the rise, crime and violence are increasing, and responsible government officials and other citizens who try to take action against the drug trade place their lives in danger. If these trends continue, the overall health of the region's economies will be seriously affected as investor confidence erodes and democratic processes are weakened.

The LAC region is also a major focus of our worldwide concern for improving respect for human rights and strengthening democratic institutions. The United States has played an active role in supporting the civilian, democratically elected governments now found in most LAC countries. The prolonged economic crisis in the region is a serious threat to the expansion and consolidation of democratic processes. A.I.D.'s economic assistance and administration of justice programs seek to help preserve and strengthen democratic gains by stimulating a private-sector-led economic recovery whose benefits will extend to the entire population. This weakens the appeal of radical, undemocratic elements, including the guerrilla groups now seeking to destabilize the governments of a number of LAC countries.

It is very sobering to contemplate the ultimate cost to the United States if economic stabilization fails to occur, resulting in the demise of democratic leaders, their replacement by Marxist-oriented rulers, an increase in human rights violations, the provision of safe havens for narcotics processing and trafficking, and the acceleration of terrorism and violence in our own Hemisphere.

SOCIAL AND POLITICAL IMPACT OF THE ECONOMIC DECLINE

The depth and duration of the regional economic crisis have caused serious social and political strains throughout the LAC region. Broad segments of society have opposed government plans to adopt stabilization programs, arguing that they have suffered enough austerity. In Mexico, where an initially successful recovery effort was undermined by falling prices for petroleum exports, the sharp drop in per capita GDP in 1986 exacerbated widespread domestic discontent with the country's political system and provided more stimulus to illegal migration to the United States.

Costa Rica, whose successful stabilization efforts beginning in 1982 resulted in a modest economic recovery in 1984-86, is growing increasingly impatient with the constraints placed on this recovery by its huge external debt. In September 1986 it temporarily suspended principal and interest payments on its debt to foreign commercial banks, the full servicing of which was clearly not going to be possible in 1987 despite lower interest rates. Jamaica, where the decline in living standards began a dozen years ago, faces difficulty in adopting further economic policy reforms because of widespread discontent with the perceived failure of previous reforms to revive the economy. These structural reforms, though generally sound, were unfortunately offset by unfavorable international events -- especially trends in the world markets for bauxite and alumina -- and by insufficient progress in reducing the fiscal deficit.

Some countries, while aware of the risks, have nevertheless had the political courage to adopt comprehensive stabilization programs accompanied by policy reforms to stimulate new investment and growth. The most notable current examples are Bolivia, Ecuador, Guatemala, and Haiti. While there has been widespread recognition within these countries that major policy reforms were required, these reforms -- whose implementation to date has been very encouraging -- will need to begin to bear fruit relatively quickly if they are to be politically sustained. If not, the processes of democratization now under way in these countries will be seriously threatened.

Successful implementation of stabilization and growth-stimulating policy reform measures will depend on both a favorable international environment and significant economic assistance and other capital inflows to cushion the short-term effects of the needed policy changes. If these flows are not forthcoming, pressures will grow on governments to adopt measures such as inflationary government spending which will only make matters worse over the long run and undermine support for democratic institutions and processes, which are still fragile in many countries.

A.I.D.'S STRATEGY AND GOALS

A.I.D.'s strategy for addressing the LAC region's development problems focuses on achievement of four broad goals: (1) short-term economic stabilization, (2) basic policy reforms which permit rapid and sustained economic growth, (3) a wider sharing of the benefits of growth, and (4) the strengthening of democratic institutions and respect for human rights. This growth-with-equity strategy is largely targeted on the needs of lower-income groups and a broadening of the base of private enterprise. It emphasizes productive employment opportunities as well as greater access to health care, education, and social services. The strategy stresses the role of the private sector as the main engine of development, but it recognizes the need for more people to enter the private sector through small and micro enterprises. It also seeks, through policy dialogue, to improve the role of the public sector by encouraging reforms which increase economic and political freedoms, management improvements which reduce the costs of public services, and measures which take the government out of activities better handled by private enterprise. A.I.D. stresses the importance of institution building and training in the development process, and strives to apply advances in science and technology to all its programs.

PROGRESS IN IMPLEMENTING THE STRATEGY

1. Stabilization. Economic stabilization -- reducing fiscal and balance-of-payments deficits and bringing inflationary pressures under control -- may be temporarily painful, but it is necessary to avoid the even greater pain that policy inaction ultimately causes. The longer these measures are delayed, the greater is the political cost when ultimately they can no longer be avoided. Stabilization is also essential for establishing the climate of confidence needed for private-investment-led growth. A.I.D. has encouraged and underwritten stabilization efforts through programs supported by Economic Support Fund (ESF) resources, which both cushion temporary declines in economic activity and facilitate the adoption of reforms needed to stimulate economic recovery.

A key objective of our stabilization assistance is that countries be able to manage their external sectors on a current basis by eliminating arrearages and the need for further debt reschedulings, and by restoring fiscal equilibrium. Countries making good progress toward stabilization during 1986 included Bolivia, the Dominican Republic, Guatemala, Haiti, and Uruguay. Honduras is improving its economic policy management. Ecuador continued to follow sound economic policies, but its efforts were undermined by a sharp drop in petroleum prices, which significantly reduced both foreign exchange earnings and fiscal revenues. Elsewhere the record was mixed; some countries made slow progress, while others allowed their fiscal and balance-of-payments deficits to become worse, thus making stabilization all the more difficult to achieve. Because of slow progress in implementing stabilization measures, as well as continued violence in some countries and an international economic environment that has remained generally unfavorable, completion of the stabilization process in a number of countries is going to take several more years than earlier anticipated. During this period significant balance-of-payments assistance will continue to be needed to prevent a further general decline in living standards.

Our experience during the past year has demonstrated the difficulties that the generally fragile democracies of the region face in sustaining unpopular stabilization measures long enough for economic growth to ease the political stress. This experience underscores the importance of communicating with various segments of society in consensus-building prior to taking austerity measures. I believe we also have to exercise greater patience in recognizing that results often take a period of years to achieve -- just as they do in the United States.

2. Policy Reforms for Long-Term Growth. Most LAC countries need to accompany their stabilization efforts with structural reforms to achieve rapid and sustained economic growth within an international environment that differs sharply from that of the 1960s and 1970s. Achievement of rapid and sustained growth will depend largely on the success of countries in further reorienting their development strategies away from import

substitution and toward exports to nonregional markets. A strategy with such an outward orientation will result not only in faster economic growth over the long run, but also in more job creation and a more equitable pattern of growth by encouraging labor-intensive patterns of development. Specific reforms needed vary from country to country, but include establishment of positive real interest rates to mobilize domestic savings, removal of agricultural price and marketing controls to stimulate agricultural production, privatization of inefficient government enterprises, and adoption of flexible exchange rate policies and tariff reductions. These measures reduce the amount of protection given to inefficient local production and shift resources to export products for which countries have a comparative advantage.

Progress toward export diversification has been good. The Caribbean Basin countries, for example, increased their exports of manufactured goods to the United States by 25% in 1984 and 21% in 1985. We do not yet have full data for 1986, but the growth rate appears to have been substantially lower. Nevertheless, countries which have made good progress in implementing structural reforms -- including Belize, Costa Rica, the Dominican Republic, and Jamaica -- continued to show strong performance in 1986. Guatemala, where growth-stimulating policy reforms have just begun, also had a strong percentage gain in 1986.

While increased exports of manufactures and other nontraditional exports are essential for restoring rapid economic growth in the Caribbean Basin countries, it is important to bear in mind that these exports -- an estimated $1.9 billion sold in the United States in 1986 -- will still account for only a very small share of U.S. markets for these products. The effects on U.S. producers will be relatively minor and more than offset by the greater opportunities for U.S. exports that healthy Caribbean Basin economies will offer.

Moreover, the CBI has benefited many U.S. firms threatened by competition from imports, particularly from low-cost suppliers in Asian countries. The CBI improves the competitive position of these U.S. firms -- thus saving U.S. jobs -- by making it more attractive for them to enter into production-sharing arrangements with firms in the Caribbean Basin. Many of the products coming into the United States from CBI beneficiary countries under tariff provisions 806/807 have a U.S. content of 70% or more.

The main elements of our strategy for achieving export-led growth and the associated increases in income and employment are: (1) policy reforms to stimulate a reallocation of resources to more productive activities; (2) commercialization of agriculture and provision of key production inputs to small farmers; (3) increased production and export credit for agriculture and industry; (4) technical assistance for small business; (5) promotion of private investment and strengthening of private sector organizations; (6) support for free zones, industrial parks, and other services for exporters; and (7) financing of rural infrastructure to stimulate small-farm output.

Over the long run, the growth of the LAC countries' agricultural sectors and related economic activities will depend to a considerable extent on conservation of biological diversity and other natural resource management programs. An LAC Regional project is helping to raise host countries' awareness of biological diversity concerns. Other activities in this area include a project to improve national parks management and establish wildlife preserves in Panama, and a project to inventory and evaluate natural resources in Ecuador. In addition, projects in Panama and Haiti, and a Central American regional project, are strengthening the protection and management of tropical forests. In a number of countries A.I.D. is supporting agroforestry, terracing, and other soil conservation programs. In the Andean countries we have become very concerned about the environmental damage being caused by coca cultivation. A.I.D. is not only providing environmental analyses of its own projects but is beginning to provide similar analyses of relevant projects financed by multilateral donors.

3. Spreading the Benefits of Growth. An export-oriented growth strategy can promote more equitable development through job creation, encouragement of small businesses, and the generation of revenues needed to extend the coverage of health, education, and other social services. Coverage can also be extended through more efficient operation of public services and the use of cost-recovery measures, both of which are particularly important in countries where real budgetary resources have fallen because of the economic crisis. Nevertheless, targeted programs to improve the conditions of the poor will still be needed to ensure that the benefits of growth will be widespread. Opportunities for small farmers and other poor rural families can be increased through greater access to land, credit, and other productive resources; technical assistance; and the elimination of price controls and other disincentives to production. A.I.D. will continue to promote more equitable patterns of development by supporting programs that:

-- improve the quality and efficiency of primary education;

-- expand access to family planning information, particularly through private institutions, to help reduce the regional population growth rate from the 1982 level of 2.3% to 1.9% by 1988;

-- improve health status in the region through oral rehydration therapy, immunization, improved nutrition, and other programs responsive to A.I.D.'s new Child Survival Strategy;

-- improve the access of poor rural families to land through support for settlement programs, legal reforms to provide secure land titles, and financing for private land purchases;

-- increase the availability of credit and technical assistance to small business operators;

-- provide better housing for low- and moderate-income families through technical assistance, ongoing Housing Guaranty loans and other activities; and

-- assist displaced persons through provision of health services, educational opportunities, and productive employment.

4. Democratic Institutions and Human Rights. Economic growth will best benefit the citizens of the LAC region and support U.S. interests there if it occurs in an environment in which governments permit their people to participate freely in local and national political processes; to form democratic labor unions, cooperatives, and other voluntary organizations; and to have recourse to a judicial system that will administer justice fairly and speedily. Although the U.S. Government cannot dictate to other governments how they should structure their political institutions and processes, we can provide our moral and financial support to those countries upholding democratic institutions and respecting human rights. A key element in U.S. economic assistance decisions in each LAC country is the degree of commitment of that country to free elections, independence of the judiciary, and respect for individual rights, and the degree of progress each country is making toward these goals.

Encouraged by progress in these areas, A.I.D. will continue to strengthen the administration of justice through technical assistance, training, and material support for court systems, criminal investigative agencies, public prosecutors and defenders, justice ministries, law schools, and bar associations. A.I.D. will also continue providing technical assistance to improve the administration of elections and to strengthen the analytical and administrative capacity of national legislatures. In addition, A.I.D. activities with a large number of private and voluntary organizations (PVOs) will support the development of democratic institutions and processes by providing assistance to democratic labor unions, voluntary cooperatives, women's organizations, and other participatory groups.

The process of democratization in the LAC region is being further supported by a major training initiative, the Caribbean and Latin American Scholarship Program (CLASP), which will provide scholarships for study in the United States and in the region itself for 11,700 individuals. CLASP consists of three major components. By far the largest is the Central American Peace Scholarships project (CAPS), under which A.I.D. will enable an estimated 8,500 Peace Scholars to be trained in the United States between FY 1985 and FY 1989 in response to a recommendation of the National Bipartisan Commission on Central America (NBCCA). The CAPS project focuses on priority economic, social, and political development needs, and targets disadvantaged groups who previously have lacked access to such training. It also provides a personal opportunity for large numbers of people to see democracy and free enterprise at work in the United States, thus helping to counter the impact of the many thousands of young men and women given scholarships for study in the Soviet Union, the Eastern Bloc, and Cuba, where their education includes indoctrination in Marxist ideology.

Implementation of the CAPS project has moved forward very well: 1,661 students began training during FY 1985, and 1,836 during FY 1986. The total of 3,497 through FY 1986 substantially exceeds the target of 2,855 established for this initial period.

The second component of CLASP is the Presidential Training Initiative for the Island Caribbean, which began in late FY 1986 and will provide training to an estimated 1,500 students. The third component, the Andean Peace Scholarship Program, will support training for 1,700 students beginning in FY 1987.

THE CENTRAL AMERICA INITIATIVE (CAI)

A.I.D. has just submitted to the Congress a report on the progress we have made in implementing the recommendations of the NBCCA. As requested by the Congress, the report also describes the Administration's plan for fully funding these recommendations.

As that analysis concludes, progress to date has been particularly encouraging in the area of democratization:

-- In Guatemala and El Salvador the number of deaths and disappearances has been reduced drastically, and military attitudes toward human rights have improved significantly.

-- A.I.D. has been supporting a variety of training and technical assistance programs for members of the executive, legislative and judicial branches of government.

-- Through FY 1986 nearly 3,500 persons had initiated training in the United States under the Central America Peace Scholarships program, exceeding the planned figure by 22%.

In the area of economic stabilization, improvement is evident in several key indicators. Between 1983 and 1986:

-- the real GDP growth rate improved from -0.8% to 1.4%;

-- a net private capital outflow of $101 million was converted to a net inflow of $215 million; and

-- government fiscal deficits were reduced from 5.1% of GDP to 2.8%.

Nevertheless, the pace of economic recovery is slower than the 2.5%-3.0% real GDP growth rate we had expected by 1986. As I noted earlier, the regional political/military climate is still unsettled, and external economic conditions are not as favorable as anticipated by the NBCCA. Commodity prices remain low, world trade is growing slowly, and public and private capital inflows are below expectations. In addition, most governments have not moved far enough in making key policy changes, such as reducing fiscal deficits and realigning exchange rates.

In the area of establishing a foundation for rapid and sustained long-term growth:

-- The ratio of private investment to GDP, which had fallen from 16.1% in 1980 to 8.9% in 1983, recovered to 11.4% in 1986. This recovery, while encouraging, is slower than expected. Nevertheless, one country -- Costa Rica -- has fully recovered its 1980 private investment/GDP ratio.

-- Nontraditional exports to destinations outside of Central America rose by an encouraging 15% between 1983 and 1986. A.I.D. programs facilitated this growth in a variety of ways.

Progress has also been made in spreading the benefits of economic growth:

-- The infant mortality rate has declined from 61/1,000 in 1983 to an estimated 57/1,000 in 1986.

-- Primary school enrollments have increased; excluding El Salvador, for which data are not available, the primary school completion rate rose from 72% in 1983 to an estimated 75% in 1986.

-- The average number of student-years needed to produce a 6th-grade graduate has dropped since 1980 by one year in Guatemala and by 1.6 years in Honduras.

-- A.I.D. has supported training for 16,000 teachers in Guatemala and Honduras over the last four years; our plans call for training an additional 50,000 in the region during 1987-90.

-- The percentage of couples using family planning has risen from 37.5% in 1983 to an estimated 41.7% in 1986.

Although progress under the CAI has been encouraging in many areas, we are nonetheless behind schedule in meeting those goals and objectives of the NBCCA which relate to economic recovery. The reasons have been described above. They include overall U.S. budgetary restrictions -- particularly earmarks for other parts of the world in combination with budget reduction legislation -- which have affected the levels of assistance the U.S. Government (USG) has been able to provide to Central America. The cumulative shortfall from the economic assistance levels recommended by the NBCCA will exceed $1 billion by the end of FY 1987 unless the requested $300 million in additional assistance is approved.

We believe such a shortfall would seriously jeopardize U.S. interests in Central America. That is why, as I shall indicate below, A.I.D. is making a request for additional FY 1987 assistance. We are also recommending that the CAI implementation period be extended for three years, through FY 1992. To substantially achieve the goals and objectives of the NBCCA over this somewhat longer period, we estimate that a cumulative total of $6.9 million in U.S. appropriated funds will be required, $500 million more than the original CAI request.

The reasons for requesting this stretch-out of the CAI period are explained in detail in the assessment we have just provided to the Congress. I think it is important to stress that our review of progress to date has confirmed the NBCCA-CAI strategy as a sound approach to the problems of Central America and to the protection of U.S. interests in the region. Slower-than-expected progress is attributable mainly to external economic conditions, regional political/military conditions that have been less favorable than had been assumed, and funding reductions.

Further and more rapid progress is contingent upon a continued partnership among the Congress, the Administration, and the Central American democracies, with the Central American countries summoning the political will to make the necessary political and economic reforms and the United States maintaining adequate levels of financial and technical support.

In summary, we are encouraged by the progress to date. We are convinced that the key NBCCA recommendations and the CAI strategy remain a sound approach to Central America's needs. Continued effort is needed, however, to demonstrate our commitment and to give the Central Americans the confidence and courage to take measures needed to establish a firm foundation for sustained economic growth and a much broader distribution of the benefits of that growth.

THE CARIBBEAN

The United States has strong national interests in promoting political stability as well as strengthening democratic institutions and respect for human rights throughout the Caribbean. Events in Grenada in the late 1970s and early 1980s make clear how important our interests are in this part of the Hemisphere.

All of the A.I.D.-assisted countries in the Caribbean but Haiti are functioning democracies. Haiti, the poorest country in the Western Hemisphere, is now in the midst of a difficult transition from dictatorship to democracy. We must do all that we can to ensure that this transition leads to the establishment of democratic institutions and traditions in that beleaguered country.

The Caribbean, like Central America, is still adjusting to weak demand for many of its traditional exports and a reduction in intra-regional trade. Several countries have been hit very hard by our reduction in sugar quotas, and Jamaica continues to suffer from depressed conditions in the world market for bauxite/alumina, which accounted for 54% of its merchandise exports in 1985.

Although some economic adjustment measures have already been adopted, major additional reforms are needed. Since all Caribbean markets are small, economic growth will depend to a great extent on increased export earnings, particularly to markets outside the region. Progress in export diversification has been encouraging -- especially for Haiti, Jamaica, and the Dominican Republic -- due in large measure to the trade benefits of the Caribbean Basin Initiative (CBI). However, because of unfavorable developments in traditional commodity markets, particularly bauxite and sugar, sales of these products have dropped and overall export levels have slipped.

The Caribbean countries have good prospects for economic growth if sound macroeconomic policies are maintained and expanded and adequate external financial assistance is available. The transitional government in Haiti has undertaken a far-reaching program of economic policy reforms which should have a significant positive impact if it can be sustained. The countries of the Eastern Caribbean have begun a structural adjustment process with assistance from A.I.D., the World Bank, and other donors. Severe balance-of-payments problems need to be overcome in Jamaica and the Dominican Republic, which have heavy foreign debt service burdens.

The positive results of A.I.D.-supported economic policy reforms in the Caribbean are encouraging. The Dominican Republic has set a realistic exchange rate, responsive to supply and demand, which has stabilized its currency at a level conducive to export competitiveness. The public sector deficit has been cut sharply and, not coincidentally, the inflation rate has fallen. In Jamaica, inflation has also fallen and positive real interest rates have encouraged more efficient resource allocation. However, high public sector deficits and a controlled exchange rate continue to inhibit full economic recovery. Haiti has acted boldly and effectively, with tax reform, improved revenue performance, and expenditure controls. The public sector deficit has dropped sharply even as investment in development programs is being increased. Several costly state monopolies have been dismantled, and low import tariffs are replacing import quotas and other such protectionist measures. With U.S. support, 1988 could be a year of strong economic recovery and growth in the Caribbean if traditional commodity prices are relatively favorable.

Haiti, one of the poorest countries in the world, is a special case within the Caribbean. The annual per capita income is only $320, and for approximately 80% of Haitians the average is below $150. Therefore, in addition to assistance for broad economic problems, A.I.D.'s program in Haiti includes major support for domestic food crop production and for investments in education, health, child survival, and population planning. These sectors, while an important component of our program in the other Caribbean countries, do not receive the same levels of A.I.D. funding in those countries as in Haiti.

A.I.D. has played a major role in initiating long-term soil conservation and reforestation programs in Haiti to halt and reverse the distressing deterioration that has occurred over many years in the country's natural resource base. A.I.D. has worked closely with a number of private and voluntary organizations in implementing these programs. Many years will be required to provide sufficient restoration of the country's resource base.

SOUTH AMERICA

Important U.S. interests as well as many South American lives are at risk in the Andes. The rise of terrorism in Peru and to a lesser extent in Ecuador threatens these fragile democracies. Throughout the region armed narcotics traffickers have the potential to undermine legitimate authority through their control of remote territory, their growing involvement in the formal economy, and their increasing ties to insurgent organizations. In fact, traffickers in Bolivia pose a serious challenge to the continued independence and integrity of the government. There is a growing awareness of the impact of addiction on young people in the Andean countries and of the despoiling of the land through coca cultivation. This is a problem generated largely by U.S. demand for cocaine, and unless we join in helping the Andean leaders meet this threat, we will be failing them and contributing to the availability of a drug that is ruining the lives of many men and women in the United States.

The short-term outlook for all three countries is worrisome without substantial external assistance. The inability of the governments to cope with these menaces could bring a return of anti-democratic, authoritarian rule. In the most extreme case of Peru, Soviet penetration, combined with violent and deadly leftist extremism, could lead to a shift in Peru's traditionally pro-western orientation and imperil U.S. strategic interests.

All three countries suffered serious economic downturns in the early 1980s as a result of (a) weakened demand for primary mineral and agricultural exports, (b) devastating floods and drought, (c) rising interest rates on their external debt, and (d) inappropriate economic policies. By 1985 per capita income in Peru and Bolivia had fallen to the levels of the 1960s.

Extreme poverty is pervasive throughout the Andean region. Per capita GDP in Bolivia is barely $500 per year, and skewed income distribution is a major problem in Ecuador and Peru. The provision of health services has not kept up with a population increasing at an annual rate of over 2.5%. The infant mortality rate in Bolivia exceeds 120 per 1000 and may be as high as 200 per 1000. Each of the three countries needs to accelerate its efforts to provide basic immunization and other preventive services to reduce high rate of infant mortality. Malnutrition and hunger are also continuing problems. Illiteracy remains high, and declining government revenues in all three countries make it more difficult for them to address this fundamental development problem.

The responses to these economic challenges have varied. Bolivia has implemented a courageous, far-reaching reform program which has throttled inflation and stabilized the exchange rate; but short-term prospects are not favorable without continued outside help. The market-oriented, private-sector approach of the Ecuadorian Government has helped offset declining revenues, caused by a major drop in oil prices, by cutting public sector programs and subsidies. But the drop in export income has severely damaged the country's medium-term growth prospects. Although the

Peruvian economy grew at an estimated rate of 8.5% in 1986, the country has failed to adjust to significant changes in international economic relationships and has allowed the arrears on much of its external debt to increase. Major reforms are still required to provide a foundation for sustained economic growth over the long term. Export diversification is needed in all three countries to provide foreign exchange to finance productive imports and to service the external debt.

U.S. support for continued economic policy reforms, for programs to alleviate the region's serious poverty problems, and for the encouragement of democratic institutions helps reduce the potential for popular unrest and a return to non-democratic military governments which, until recently, were predominant in these countries.

Our development programs in Bolivia, Peru, and Ecuador emphasize increasing the efficiency and productivity of small and medium-size commercial farmers, wider coverage of immunization and oral rehydration therapy services, increased access to potable water, and expanded training opportunities through a new Andean Peace Scholarships initiative.

COMBATTING NARCOTICS PRODUCTION AND TRAFFICKING

A.I.D works closely with other U.S. agencies to help eliminate the flow of drugs to the United States from the Latin American region. Our efforts are carried out primarily through two types of programs. First, we are helping to build a greater public understanding and concern about the harmful effects of drug production and trafficking on social values and economic structures in producing and transit countries. We believe that an understanding of the permanent damage to the land from coca cultivation will soon be added to these concerns. This awareness is resulting in stronger support for enforcement and interdiction programs, and increased cooperation with U.S. control efforts. In Peru, for example, a private organization recently formed with the participation of a nonpartisan group of the country's leaders has already carried out a series of public awareness activities affecting over a half million people.

The second area of A.I.D. involvement in narcotics control is in helping to develop alternative income and employment opportunities for people no longer involved in narcotics production, and in helping to improve rural conditions where licit crops are grown. These A.I.D.-supported programs do not yet provide sufficient incentive to persuade most coca growers to shift to other crops. But once sustained interdiction drops the price farmers are paid for coca to less than the costs of growing and marketing, they should provide a safety net for farmers making the transition to legal activities. A major program is now going forward in Peru to bring wells, potable water, marketing infrastructure, new crop technology, and roads to areas once isolated from government control and dedicated to coca production. We hope to move forward soon on a program in Bolivia to provide farmers with resources needed to move into legal occupations after eradicating their coca crops.

MANAGEMENT IMPROVEMENTS

In previous testimony before the Congress, I have placed a great deal of emphasis upon my commitment to improving the management of A.I.D.'s program. I consider the improvement in this area to be one of the significant accomplishments of the past year. I would like to report to you now what we have accomplished in the LAC Bureau in the way of management improvements, and also several management problems.

1. Management by Objectives (MBO). A year ago an MBO system was established in the LAC Bureau to implement the A.I.D. Administrator's

recommendations for management improvements. The key tool for implementing the MBO system is the annual Action Plan prepared by each A.I.D. Mission, which translates country strategy into operational policies and programs and establishes country-level targets against which we can assess progress.

2. Delegation of Authority to the Field. Greater project approval authority has been given to field missions in order to improve program implementation and encourage initiative and accountability on the part of field managers as well as free Washington staff to devote more time to headquarters responsibilities of policy formulation and program oversight. Within the approved country strategy and program, approval authority was delegated to the field in FY 1986 for 32 of 39 new projects (82%). Authority has already been delegated to the field for two-thirds of our project starts planned for FY 1987.

3. Portfolio Management. Our performance in implementing ongoing projects in the LAC region improved markedly in FY 1986. The project portfolio liquidation rate increased from 37.3% in FY 1985 to 45.8% in FY 1986, the highest rate A.I.D. has achieved in the region during the past 13 years. At the end of FY 1986, the project assistance pipeline was lower than it had been a year earlier.

4. Management Information System (MIS). A major effort is under way to provide a systematic flow of information from field missions to top management in A.I.D./Washington, although progress has been slower than expected. An improved system of information flows is being developed now that field Missions have been given more operational responsibility, have less contact with Washington on project preparation and approval, and are devoting more time to program and project monitoring and accountability. This will establish a consolidated MIS which provides A.I.D.'s Washington offices data that satisfy management needs.

5. Reducing Project Costs. This Bureau has taken a series of steps to control the costs of LAC training programs. A new system, involving a Work Breakdown Structure (WBS), was developed jointly by the Bureau and the S&T Office of International Training. It is being implemented by LAC missions to facilitate procurement actions by enabling proposal evaluation committees to cut costs through increased vendor competition. It also requires Missions to think through more carefully just what is needed rather than relying heavily on the needs as described by vendor proposals. The computerized WBS reporting format shows contract expenditures on an exception basis (i.e., it highlights elements which exceed projected costs) and greatly simplifies the project manager's task of assuring that implementation is on schedule and within the contract budget. In addition to the WBS the Bureau has prepared a directory that lists universities, private firms, and other training sources willing to negotiate program costs with A.I.D.; promoted cost-sharing arrangements with U.S. universities; and assisted in promoting training legislation in the United States aimed at cost containment.

Cost containment measures are also being introduced for health programs, although these efforts are not as far along as those for training cost containment. Guidelines are being established for identifying more clearly and completely the various costs associated with technical assistance contracts, so that proposals can be evaluated more easily for cost effectiveness. In addition, guidelines are being prepared for managing pharmaceutical procurement, so that managers become more familiar with alternative procurement mechanisms and quality control issues, thus making it easier to assure that unit costs are minimized.

Despite some important gains, I am not fully satisfied with our overall progress in strengthening management. We continue to be handicapped by a shortage of highly qualified people in the controller and procurement areas, and we have found it difficult to adequately address some major managerial shortcomings. The number of externally imposed procedures and requirements also creates a difficult workload for the limited number of U.S. direct hire staff overseas, and host country national and contract personnel are not always in a position to provide the managerial strength in areas in which mission directors need help.

Some months ago the Administrator and I concluded we needed a high-level, broad-gauged management person in the LAC Bureau to assist my Deputy and me in strengthening Bureau management initiatives. Thus far, we have been unable to fill this important post.

ADDITIONAL FY 1987 ASSISTANCE REQUEST

The Congress in October 1986 approved the transfer of three hundred million dollars in unobligated funds for economic assistance to the Central American democracies. The Foreign Assistance Appropriations Act mandated that the three hundred million dollars be regarded as part of the specified (and very limited) FY 1987 worldwide total for economic support fund assistance, thus precluding us from considering this sum as additional assistance. As a practical result there could be no increased aid for Central America.

As part of the plan for fully funding the recommendations of the National Bipartisan Commission, the President has requested additional FY 1987 appropriations of $300 million in ESF resources for four Central American democracies (Costa Rica, El Salvador, Guatemala, and Honduras). This assistance is urgently required to help meet the great economic and social needs of the struggling democratic governments of the region.

The requirement for this additional assistance for Central America has become even more pressing as a result of the earthquake in El Salvador and the sharp decline in coffee prices which could result in a $400 million loss in export earnings for Central America in 1987 compared to 1986.

Another $10 million in additional ESF resources is requested to support development activities related to narcotics control in the region, primarily in Bolivia, which is taking courageous actions to curtail narcotics trafficking.

FY 1988 PROGRAM SUMMARY

In recognition of the necessity for budget austerity, we have sharply pared our request for Fiscal Year 1988. This budget is twenty percent below our request for Latin America and the Caribbean in FY 1987. A.I.D. is requesting economic assistance totalling $1,324.1 million for the Latin American and Caribbean region as a whole, including:

-- $700.0 million in Economic Support Funds;
-- $401.5 million in Development Assistance; and
-- $222.6 million in P.L.-480 commodities.

By sub-region, the breakdown is:

-- Central America:	$826.6 million;
-- The Caribbean:	$307.7 million;
-- South America:	$157.9 million; and
-- Regional Programs:	$ 32.0 million.

To maintain progress toward NBCCA goals in Central America, we are requesting $502 million in Economic Support Funds, $230.1 million in Development Assistance and $94 million in PL 480 commodities. For DA and PL 480, we are requesting less than our FY 1987 estimated level. For ESF, the request is $87 million more than current FY 1987 funding, but $113 million less than the level including the supplemental request. I would also add that our request for the region is substantially below the FY 1988 authorization level. The ESF levels requested for Costa Rica, El Salvador, Guatemala, Honduras and Panama are needed to cushion the effects of stabilization, and to support policy reforms essential to lay the basis for sustained longer-term growth. Local currency generated from Economic Support Funds and PL 480 Title I sales will support programs in small-farmer agriculture, land reform, education, health, and other areas that spread the benefits of this growth. We are proposing to continue the EXIM-administered Trade Credit Insurance Program at $200 million.

For the Caribbean we are requesting $135 million in Economic Support Funds, $91.6 million of DA and $81.1 million in PL 480 commodities. Again, the DA and PL 480 requests are below the FY 1987 estimated level; for ESF, we request an increase of $41.6 million over FY 1987. Haiti, which is in a critical stage in its political and economic transition, will receive 28.5 % of all economic assistance proposed for the Caribbean. The Dominican Republic and Jamaica are suffering sharp ESF cuts in FY 1987 as a result of the combination of budget reductions and earmarks for other programs. We propose partially to restore ESF levels in these two countries for FY 1988, although in both cases they remain below the FY 1986 ESF levels.

For South America, we are requesting $57 million in ESF, $53.8 million in DA and $47.1 million in PL 480 commodities. The most significant change we are proposing is an increase in ESF to $30 million for Bolivia, which has been cooperating closely with the United States on narcotics control and has undertaken difficult economic reforms.

This proposed budget does not contain any significant new initiatives. I believe that the course we have followed over the past several years continues to be responsive to the needs of the region and to our mandate from Congress. I should, however, bring to your attention a shift in emphasis that is beginning to be felt in our program, consistent with the phasing of our approach to the region's deep economic and social problems. Over the past several years, we have placed heaviest emphasis on economic stabilization and creation of the underlying conditions for satisfactory economic growth. Much of this groundwork has now been laid, and the focus of our efforts is moving increasingly toward assuring that growth can be both self-sustaining and of direct benefit to the poorest groups. Thus, we will be more concerned with sectoral issues in education, health, and agriculture to assure that the patterns of investment and growth are those that most widely distribute the benefits to society.

Given the economic and political conditions internal and external to the LAC region, which I described earlier in this presentation, levels of ESF assistance must remain high in FY 1988 to permit acceptable progress toward accomplishing our goals of economic stabilization, policy reforms leading to rapid and sustained long-term growth, a wider sharing of the benefits of growth, and the continued strengthening of democratic institutions and traditions. We will also need adequate funding in the Section 106 account to support our strategy of strengthening the private sector, which we believe is essential for the region's economic recovery and for providing the jobs which are critical for enabling families to meet their basic needs of food, health, and shelter. I would like to say, too, that our ability to accomplish our goals would be made easier by a reduction in Congressional earmarks.

CLOSING REMARKS

In conclusion, Mr. Chairman, U.S. economic assistance has played a major role in helping to halt a sharp decline in economic activity in LAC countries, and get a broad-based economic recovery under way. The economic revival and the additional jobs it has provided have created an environment in which democratic institutions can take root in a number of countries where this has not been possible for many years. Failure to stay the course invites economic crises, greater violence and further loss of U.S. exports and jobs.

Thank you.

Assistant Administrator for Africa

STATEMENT OF ALEXANDER R. LOVE, ACTING ASSISTANT ADMINISTRATOR FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

HIGHLIGHTS OF AFRICAN FOOD SITUATION

Senator Inouye. Mr. Love?

Mr. Love. Thank you, Mr. Chairman.

I would like to highlight a few specific aspects of what has happened in Africa this year. The first thing I would like to emphasize is that as we have come out of the great drought of Africa, which has occupied everybody's attention for the last 3 years, and we have seen some very positive changes in agricultural production in Africa.

Production on the continent has increased 36 percent over the last 2 years and it looks like it will increase again in the coming year, moving a substantial number of the countries that were in a deficit position during the great drought into food self-sufficiency or near food self-sufficiency, particularly in the rural sector. There are still some pockets of food shortages in the urban areas.

Senator Inouye. Excuse me for interrupting you. What countries are you talking about?

Mr. Love. Almost all of the Sahel.

Senator Inouye. It is coming back to full sufficiency now?

Mr. Love. There are surpluses in the rural sector for the most part. There are still some deficits in the urban areas. Africa, as a whole, in the last year produced basic cereal grains, which are sorghum, millet and maize, in excess of its rural requirements and part of its urban requirements. The basic food shortages have been in rice and wheat for urban consumption. It was about a 6 million ton shortage last year.

AFRICAN COUNTRIES MOST IN NEED

Senator Inouye. Then some of these commercials that you see on the screen of emaciated children, dollars being sought to help these children, may not be altogether correct?

Mr. LOVE. In certain parts of the continent it is no longer the case. We still have a major problem in Ethiopia. We have a major problem in southern Sudan, the magnitude of which is hard to define because of limited access. We continue to have a major problem in Mozambique. We have problems in Botswana and Lesotho with traditional shortages, although they can, for the most part, acquire their food either through purchases or food aid. And of course, we have problems in Angola. Those are the basic countries that have major food shortages at this time.

SITUATION IN SAHEL NATIONS

Senator INOUYE. The Sahel nations, for the most part, are now self-sufficient?

Mr. LOVE. The Sahel nations, in the rural areas, leaving out Dakar and some of the major cities, have a surplus of food right now. We have a major problem moving it within and between countries.

Senator KASTEN. You cannot get that food into Ethiopia and into Mozambique and into the other places where this is used because of government problems?

Mr. LOVE. Let us look at the problem in Ethiopia. There is a substantial surplus of sorghum in Sudan. There is about a 500,000-ton surplus of maize in Kenya. There is probably more than enough food in the countries surrounding Ethiopia to offset their estimated deficits, if they would purchase it with some of their foreign exchange. That would help all of them.

Senator KASTEN. If they would purchase it.

Mr. LOVE. If they would purchase it.

We have in some cases, such as with Kenya and Zimbabwe, done food swaps. We have provided them wheat, of which they are short, in return for them shipping the white maize, of which they have a surplus, into Mozambique. That is how we provide some of the food to Mozambique.

The point is that there has been a considerable turnaround in food production due to good weather, but also, we think, because Africa has substantially adopted the concept of policy reform at the national level, particularly with respect to the agriculture sector.

They have been privatizing many of their functions. They have been eliminating subsidies. They have been increasing the real prices for their basic cereal grains. And that has, along with the favorable weather, resulted in some rather substantial increases in food production.

I put in my written statement some summaries on two countries on which we have just finished an in-depth study, Zambia and Somalia, both of which were deficit countries in other years and both of which are now self-sufficient in their major food grains.

I highlight this because I think for the most part people feel they are still looking at the kind of problem in the agriculture sector we had during the drought. What we are looking to now is to consolidate some of the advances that have been achieved in the last 3 or 4 years, particularly those that we think are attributable to successful policy reform efforts in the new proposed Development Fund for Africa.

INITIATIVE ON AFRICAN HUNGER

The President announced last week a new long-term initiative to assist in ending hunger in Africa. One of his primary recommendations in that initiative was to create a new Development Fund for Africa within which we would be able to consolidate some of the innovative programs that we initiated in policy reform under the African Economic Policy Reform Program, as well as some of the activities that we have done under bilateral development assistance.

So we are now shifting the balance in the economic assistance account, which was basically 50/50 DA/ESF in the past, to a 5-to-1 DA/ESF split, that is, $500 million for DA under the new fund and $100 million for ESF. We are proposing to consolidate within the fund policy reform with basic long-term project assistance in agriculture, health, population and child survival. We are hoping we can get support from all committees to initiate that program this year.

POPULATION GROWTH PROBLEMS

Aside from the food area, we see growing recognition of the concern about population growth in a number of African countries. Countries such as Zimbabwe and Kenya in particular have made major advances in increasing their contraceptive acceptance rate. We expect that Nigeria, which constitutes 25 percent of the population of Africa, will be launching a substantial new program this year.

CHILD SURVIVAL

Along with that, we are attempting to set forth an Africa-wide strategy on child survival. The infant mortality rates in Africa are some of the worst in the world. There are close to 2.5 million children under age 5 who die each year in Africa. Over 500,000 of those die in Nigeria alone. So we have targeted child survival as one of our major areas of emphasis under the new fund.

In both the population and the child survival programs, we work very closely with the centrally-funded programs as part of our initiative.

I will stop with those highlights, with a particular request that we focus on some of the policy reform achievements. This committee in particular was most supportive of the efforts of A.I.D. to launch our pilot effort in policy reform 3 or 4 years ago. That effort is beginning to pay off some tangible results in food production. Policy reform is also beginning to impact on some of the other aspects of production.

Thank you.

Senator INOUYE. Thank you very much.

[The prepared statement of Mr. Love follows:]

PREPARED STATEMENT OF ALEXANDER R. LOVE

ACTING ASSISTANT ADMINISTRATOR FOR THE
AFRICA BUREAU
AGENCY FOR INTERNATIONAL DEVELOPMENT

Last week the President announced a new White House initiative to help end hunger in Sub-Saharan Africa. This initative is rooted in the conviction that Sub-Saharan Africa can avoid a repeat of the death and devastation wrought by the great drought of 1982-1985. I would like to submit for the record the text of the White House announcement.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

PRESIDENTIAL STATEMENT ON ENDING HUNGER IN AFRICA

Today, the President is announcing an initiative to help end hunger in sub-Saharan Africa by establishing a common long-term goal for all U.S. economic programs and policies in sub-Saharan Africa: to end hunger in the region through economic growth, policy reform, and private sector development. The United States will also seek to promote donor coordination on comprehensive structural adjustment as well as on assistance programs and will continue its efforts to encourage the constructive involvement of the U.S. private sector in promoting African economic growth.

Last May, at the UN General Assembly Special Session on the Critical Economic Situation in Africa, African leaders committed themselves to economic policy reforms designed to unleash the energies of their productive sectors, and requested donors to review the quality of their assistance programs in order to further this goal. The United States intends to respond to the Africans' request. Their commitment to recovery and reform deserves our support. While Africa has recovered from the 1984-85 famine, its economic situation remains precarious and the threat of famine and the reality of poverty continue to cloud Africa's future.

Last September, the President established a White House Task Force to lead an interdepartmental review of U.S. economic policies and programs for sub-Saharan Africa. The Task Force, jointly chaired by the National Security Council staff and the White House Office of Policy Development, included the Departments of State, Treasury, Agriculture, Commerce, and Defense; the Office of Management and Budget, the Agency for

International Development, the Central Intelligence Agency, the U.S. Trade Representative, the U.S. Information Agency, the Peace Corps, and the Overseas Private Investment Corporation. The Task Force has completed its work and has recommended a program of action:

--Donor countries should negotiate, through the existing IMF/World Bank coordination process, framework agreements with each sub-Saharan African country to establish long-term structural adjustment and reform programs.

--A separate budget account should be created for U.S. bilateral assistance to Africa in order to focus better on rewarding economic performance and increasing the flexibility of U.S. assistance programs for incentive economic reforms and private sector development.

--New efforts should be made to address Africa's heavy debt burden, such as through strengthening multilateral arrangements.

--U.S. food assistance programs should stress production incentives for recipient governments' communities, and individuals to reinforce economic reform and productivity.

--Continued and improved African access to world markets should be promoted to reward good performance and to enable African countries to earn their way toward economic growth.

--The U.S. private sector should be mobilized to complement African and donor efforts through expanded private, voluntary, and corporate involvement of a humanitarian and business nature.

--A high-level interagency coordinating committee will be created to ensure that all U.S. activities, programs, and policies for sub-Saharan Africa are fully consistent with these policy goals.

The preliminary work of this Task Force is reflected in proposals already presented in the President's FY 1988 budget submission, as noted in the legislative message he submitted to accompany the State of the Union address. In an era of scarce aid resources, we have no responsible alternative but to maximize the effectiveness and efficiency of our assistance programs and to encourage recipient countries' own efforts to promote productivity and growth. To do otherwise would be to risk perpetuating dependency. The African countries have made a commitment to economic reform and structural adjustment. The world community committed itself to help Africa achieve these objectives. The President intends to work closely with the 100th Congress in a bipartisan spirit to pursue a goal which he knows is shared by all Americans.

A.I.D. Strategy in Africa

1987 is the year to begin the restructuring of our A.I.D. program in Africa in order to consolidate the gains of the last five years, and set out a long-term framework for ending hunger in Africa.

Let me review some of the key accomplishments of Africa viewed against the situation five years ago, when

- -- only one or two countries in Sub-Saharan Africa had food surpluses;
- -- the process of policy dialogue and economic reform was just beginning with the Africans;
- -- there was little evidence of progress in addressing population issues; and,
- -- there was only limited evidence of progress in addressing Africa's severe infant mortality.

In addition to these seemingly intractable development issues, Africa was on the verge of the worst drought in recorded history.

During the intervening years we have all witnessed the devastating drought that descended on Africa.

You are aware of the sizeable and remarkably sucessful efforts that have gone into moving millions of tons of food to the continent and organizing massive recovery efforts. I believe we can all be proud of America's response to this catastrophe. Many lives were saved.

It is important to look back over the last five to six years at development achievements that have been over-shadowed by our preoccupation with the drought. Over this period, A.I.D. has supported some significant pioneering efforts which are already impacting positively and measurably on the long-term development of the continent.

Agricultural Technology

First, we have given priority attention to Africa's critical need for new agricultural technology. We have not only refined and prioritized our agricultural research activities, but we are also giving more attention to farming systems research and the role of small farmers, most of whom are women. In the process we are helping to develop new varieties of crops such as sorghum, millet, maize and legumes which are important to increased agricultural production, again with an emphasis on small farmers' crops.

As noted later in this statement we have also broadened the scope of our research activities to include natural resources such as forestry. More detail on this new agricultural research thrust is embodied in the Agricultural Research Strategy Paper which we are providing to this committee.

We are now two years into implementation of this strategy with good progress in reshaping our bilateral agricultural research programs. We have worked closely with BIFAD in this effort.

The new Agricultural Research Strategy has also served as a basic conceptual document for the creation of a new multilateral Special Program for Agricultural Research (SPAR). SPAR is chaired by the bilateral donors and hosted by the IBRD. The Africans are active participants in this effort.

Policy Reform

Second, we have supported the adoption of a number of new economic policies in several nations, especially through our ESF funded African Economic Policy Reform Program (AEPRP).

Many countries have begun to reverse a post independence trend which concentrated economic control in the hands of central governments.

There have been a number of favorable outcomes from the reform efforts such as increasing progress in privatization continent-wide; higher levels of agricultural output; larger incomes for small farmers; export growth and the reduction of balance of payments deficits; improvements in resource allocation; and, greater opportunities for investment and employment in the private sector.

In the process, we have endeavored to strike a balance between policy reform dialogues which seek to remove constraints to economic development, while at the same time programming project assistance to overcome impediments to development caused by nature, historically low levels of technology, and the lack of education and infrastructure. We have found that there are direct interrelationships between project activities and the reform agendas themselves which are mutually reinforcing.

We are convinced that these programs are improving the prospects for the rural poor in Africa - particularly farming women.

Human Resource Development

Third, in the areas of health, population and child survival, as you will see later, there have been significant accomplishments. In certain key countries contraceptive prevalence rates have increased markedly, e.g., Kenya and Zimbabwe; and in Nigeria a major new program is underway.

A.I.D.'s largest child survival project has been mounted in Africa.

As positive as these achievements are, we can build on these accomplishments to do even better. One of our principal motives in proposing new legislation, the Development Fund for Africa, is to consolidate these various initiatives of the last several years into a new, coherent legislative framework. This will enable us to be more responsive to Africa's requirements in the years ahead as set out in the Ending Hunger in Africa Initiative.

I want to reemphasize two particularly key areas in our African development strategy: economic restructuring, and basic human needs.

We believe that a fundamental change in the economic structure of Sub-Saharan African nations is not only essential, but a basic *sine qua non*.

Without economic reform, positive growth and development will not occur in Africa. Improvements in health status, education, and social reform are necessary to increase growth with equity and foster a better quality of life. These programs must be accompanied by efforts in economic reform if the growth end of the equation is to be achieved.

We are not alone in our beliefs. The UN second session proved that African governments also speak with a unified voice with regard to their interest to bring about a fundamental restructuring of their economies and institutional systems in order to restore balance in their external accounts, public finances, domestic markets, and in the roles of the state and the private sector.

Furthermore, the combination of population growth, drought, environmental degradation, and urban migration have all accelerated the urgency of supporting effective developmental programs using a range of project and non-project instruments.

Where Are We Now?

For the past two years, Sub-Saharan Africa has experienced record crops. The total cereal production in the 1984/85 crop year was 41 million metric tons. For the past two years, it has been 54 million and 56 million metric tons respectively.

It is an almost unprecedented turnaround. This is not due only to a change in the weather but a change in policies which have helped to modify the direction of free markets. In certain crops such as sorghum and maize, new technology has also helped.

However, we are concerned that the amount of cereals available per person has declined from 1961 levels because of population growth. The record crops of the last two years have allowed per capita availabilities to rebound to the 1971 levels, but it is doubtful that we can regain earlier year availabilities.

At some time, possibly in the near future, Sub-Saharan Africa will not be able to meet its own food needs unless it is able to both provide the economic environment and technology necessary to stimulate agricultural production, and address the runaway population growth rates. Both ends of this equation must be addressed. In the context of a sustainable natural resource management strategy, A.I.D. recently completed a comprehensive natural resource strategy for Africa which we would like to submit here for the record.

African Development Progress

Over the past six years we have seen some remarkable progress in Sub-Saharan Africa, most importantly, in the attitudes and agreement of the African leaders themselves.

As I mentioned a moment ago, since the nadir of late 1984, the world community has moved millions of tons of food and hundreds of millions of dollars in non-food assistance to Sub-Saharan Africa. The only negative aspect was that this heroic effort has eclipsed the progress being achieved by many of our on-going long-term development efforts in Africa.

Containing the Locust Threat

To begin with, the locust and grasshopper infestation, which was a potential disaster that was feared as possibly as damaging as the drought, was held in check. This required a coordinated team effort within the administration and with F.A.O. and the other donors that built on our successes in the emergency feeding program. Over three million hectares of land were treated with pesticides and larvicides, and crops that initially were feared to be lost were harvested with minimal damage. Most importantly, indigenous preventive and control institutions were also strengthened throughout Africa.

Policy Reform Revisited

Policy change is occuring throughout Africa and it is having a powerful influence on production.

The most important change agents in this process have been the Africans themselves; and they have recently reconfirmed their commitment to economic growth through economic policy change.

during the last special UNGA Session. Ten years ago there was little or no economic change. Now it is a pervasive factor throughout the continent.

A.I.D.'s policy reform programs and our work with bilateral and multi-lateral development bank donors helped the evolution. We particularly appreciate the strong support of this committee to A.I.D.'s policy reform efforts.

Our policy reform efforts have been effective throughout the Sub-Sahara, however we have had a particularly positive impact in Zambia and Somalia. Below is a brief listing of the kinds of policies we have influenced:

In Zambia,

- The volume of non-traditional horticultural exports has more than doubled since September 1985.
- ZAMHORT, a parastatal active in the fruit and vegetable trade, has seen its export volume increase from 16 metric tons in 1984-85 to 438 metric tons in 1985-86.
- Ox-plow production is now 22% lower in cost than mechanized farming, and, as a result, "oxenization" is rising.
- Diversification into soybeans and sunflower is taking place, permitting domestic production of animal feeds to replace imported fish meal.
- Zambia produced sufficient maize and wheat to reduce grain imports almost to zero.

- Between 1983 and 1985, marketed supplies of corn increased by 65%.

- The share of corn marketed by small farmers increased from 20% to 60% since reforms were initiated.

- Surveys indicate substantial increases in smallholder acreages planted to maize (in one area the percentage of smallholders who tilled more than three hectares increased from 23% in 1981 53% in 1986).

- The Zambia Seed Comnpany ran out of improved seed in January (sales were 20% above expectations), with most of the demand coming from smallholders.

- The combination of increased prices and increased marketed output meant that the gross cash income of corn producers was increased by 370% between 1981 and 1985.

- Between 1984 and 1985 value added in agriculture grew by 9.2% and value added in manufacturing grew by 8.9%.

- Marketed corn output in 1986 is expected to be 10.5 million bags compared to 7 million in 1985.

- For the first time since 1978 domestic corn supply exceeded corn demand.

- According to a World Bank survey, there has been a marked increase in capacity utilization in the manufacturing sector.

In Somalia,

- The trade deficit fell from $327 million in 1980 to $301 million in 1985. In particular, the agricultural trade balance improved with increases in exports and declines in imports.

- Banana export revenues nearly trebled between 1981 and 1986.

- Fish exports increased from $300,000 in 1980 to $3,000,000 in 1986.

- Myrrh exports rose from $3.7 million to $6.3 million over the same period.

- Prior to the Saudi ban, livestock exports grew. Since 1985, Somalia has been able to expand livestock exports through the development of new markets, particularly in Egypt. Total livestock export revenues have not reached pre-1983 levels, however.

- Cereal imports have declined during the 1980's. In real terms cereal imports fell 28% over the period 1981-85.

- Sorghum production, largely by smallholders in dryland areas, increased from an average of 139,000 metric tons during the 1970's to 260,000 metric tons in 1985.

- Maize production, largely by smallholders in irrigated areas, increased from an average of 107,000 tons in the 1970's to 280,000 tons in 1985.

- For the most part, these production increases are a response to increased plantings, as farming has become more profitable.

- Banana output, after averaging 127,000 metric tons in the 1969-74 period, and falling to 69,000 metric tons in 1981, rebounded to 110,000 metric tons in 1985.

- Real prices have increased by 159% for maize and by 130% for sorghum.

- Taken together, price increases and output increases have meant an increase in rural incomes from grain production of 162% between 1981 and 1985.

- The reform program has had a powerful impact on small and medium sized private enterprises in both manufacturing and services. There has been a proliferation of private enterprises.

- In addition, there is evidence of a significant rise in employment and real wages throughout the country. Consumers are also benefiting from the increased availability of consumer goods.

Policy reform activities have not been confined to these two countries and several other examples of notable accomplishments are outlined below.

In Guinea, we have sponsored reform measures to eliminate price controls and to move the marketing of agricultural inputs to the private sector thereby facilitating jobs in the support sectors of marketing, food maintenance, warehousing, loading, trucking, etc.

In Senegal, Zaire, Togo and Mauritius, trade reforms will result in increased availabilities of consumer and capital goods, as well as more competitive domestic products competing in foreign markets. What this means in Africa is that more and more women will be able to buy salt and soap and clothes for their children - the bare necessities.

Population

With regard to population, there are also some real success stories emerging. In Zimbabwe and Botswana, prevalance of modern contraceptive use now exceeds 38% and 28% respectively and continues to increase. This means that 38% and 28% of the sexually active couples in reproductive ages are using modern methods of birth control.

In order to understand the real impact of these figures one must look where we came from. In 1976 the prevalence rate in Zimbabwe was 5% and Botswana was 8%. Thus we have obtained more than a four fold increase in ten years.

Kenya is also a target program for our population activities and although our successes have not been as spectacular, they are very significant. In 1977 the prevalence rate was 7%. By 1984, it had grown to 17%.

Most importantly, many African nations are beginning to develop and promulgate strong national population policies. Liberia, Zaire, and Zambia are in the developmental stages. In Nigeria, a country with over one quarter of Sub-Saharan Africa's population, we have programmed over $40 million in the last five years. Nigeria is soon to launch a new phase of its family planning program that will receive substantial support from A.I.D. as a nationwide multi-year effort.

Our overall population efforts in Sub-Saharan Africa over the past five years are worthy of special mention. We have committed an average of $61 million per year since 1983 with $24 million coming from bilateral funds and $37 million in central bureau funding. We have tripled our population and health staff during this period. As a result we have population activities in nearly every nation in the Sub-Sahara.

Bilateral:

Burkina Faso
Ghana
Kenya
Liberia
Malawi
Mali
Niger
Rwanda
Senegal
Somalia
Sudan
Zaire

Regionally Funded:

Benin
Botswana
Burundi
Cameroon
Cen. Afr. Rep.
Comoros
Congo
Ethiopia
Gambia
Guinea
Ivory Coast
Lesotho
Madagascar
Mauritania
Mauritius
Nigeria
Sierra Leone
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe

A breakout of our population budget by year since 1983 is given below:

Population Budget (in thousands of dollars)

Account	1983	1984	1985	1986	1987	1988
D.A.*	15,114	17,214	26,586	41,469	20,431	22,185
Centrally Funded	30,000	29,000	42,500	49,000	35,000	34,000
Total:	45,114	46,214	69,086	90,469	55,431	56,185

*Includes Sahel for all years and $1.232 million of ESF in 1985

Health

We are currently exploring ways to support more health care provided through the private sector to ensure that services, once available, will continue to be affordable. An example of one such activity can be seen in Ghana where the manufacture and distribution of oral rehydration salts have been taken out of government and are now carried out in the private sector.

We have had a number of successful health projects that have improved the lives of thousands of Africans. In Malawi and Togo, we have expanded village water supplies by building on village level organizations.

In Malawi, a $6 million project has provided a half million people with access to clean water at a cost of only 12 dollars per beneficiary. Fifty thousand volunteer laborers in one area alone constructed a gravity fed system 22 miles away from their village to gain access to clean water without the need of costly treatment and pumping facilities.

In Togo, A.I.D. has funded a Rural Water project which provides 500 small bore wells and handpumps to approximately 200,000 rural beneficiaries. Three hundred fifty village health committees were created and trained to assume responsibility for the wells and carry out health education activities. Pump maintenance is assured by village-financed contracts with local bicycle repair shops. Women in the local communities played a key role in this program.

The Onchocerciasis Control Program, begun in 1975, is aimed at controlling the black fly that transmits river blindness. By the end of Phase III in 1991, about 1.3 million square kilometers will have been covered, an area in which 21.5 million people live.

According to current estimates, this translates to about 220,000 people saved from blindness. Twenty donors are contributing to this $300 million effort. A.I.D. will provide $40 million of this total.

Acquired Immune Deficiency Syndrome (AIDS)

An area of particular concern for us, as well as the rest of the world, is the epidemic spread of Acquired Immune Deficiency Syndrome (AIDS). We have contributed funds to the World Health Organization in support of the growing African demand for assistance in control activities. A.I.D. is also planning a centrally funded project which will support the efforts of WHO and other international AIDS education and control efforts.

Child Survival

Although Liberia's economic problems are well publicized, impressive accomplishments in the health sector are not widely known. This past November the Liberian government successfully launched its second nation-wide immunization campaign.

With other donors, A.I.D., through the Bureau's Child Survival Initiative project, helped the government prepare and carry out its vaccination campaigns.

The project trained 900 clinical staff in 13 countries in vaccination techniques, logistics, and program management.

By the end of the second campaign, over 660,000 doses of vaccine had been administered and a fee-for-service system had been set up.

Other health sector accomplishments in Liberia include the adoption of a National Diarrheal Disease Control strategy and establishment of an oral rehydration therapy demonstration unit in Monrovia.

The Liberia project is just one such activity funded through the regionally funded African Child Survival Initiative since 1981. This project has been working in 13 countries and has immunized 8.3 million children against childhood diseases as well as two million women against tetanus.

We are currently increasing support for other major child survival programs in Kenya, Niger, Sudan and Nigeria.

Nigeria, again, is a major target because of the large population and the particularly high infant mortality rate (128 deaths per 1,000 live births). Over 580,000 children in Nigeria alone die each year of infant deaths.

In all of Sub-Saharan Africa there are 2.5 million infant deaths per year.

We have recently completed an Africa Child Survival Strategy, and when coupled with the Agency's centrally-funded health and child survival budget, it demonstrates a special commitment to Sub-Saharan Africa. I have brought a copy of the strategy for inclusion in the record, and wish to summarize the budget below.

The Africa Bureau's DA level has been averaging about $48.0 million per year in the health and child survival accounts (including the Sahel account) since 1983. With centrally-funded activities, the budget level averages over $50 million.

The African Child Survival Initiative (CCCD) is active in 13 Sub-Saharan African countries:

Burundi
Congo
Guinea
Lesotho
Malawi
Swazialnd
Nigeria
Central Africa Republic
Gambia
Ivory Coast
Liberia
Rwanda
Togo

In addition we also have child survival activities in another thirteen nations:

Kenya
Uganda
Somalia
Burkina Faso
Mali
Senegal
Zimbabwe
Sudan
Cameroon
Zaire
Chad
Niger
Sierra Leone

Health-Child Survival Budget (in thousands of dollars)

Account	1983	1984	1985	1986	1987	1988
DA/Sahel	37,032	38,413	60,532	50,653	49,702	48,412
Centrally Funded*	82	1,502	21,370	18,520	4,523	5,450
Total:	37,114	39,915	81,902	69,173	54,225	53,862

*Includes funding from Sci. & Tech. Bureau, Food For Peace and Vol. Asst. Bureau, and Office of Foreign Disaster Assistance

Our interest in the quality of life is not confined to the human experience.

Biological Diversity

In the area of biological diversity, we have over 30 activities related directly to Section 119 of the Foreign Assistance Act. In FY 1986, these activities totaled about $2.5 million. Some examples currently funded include the inventory of endangered species in the Bururi forest area of Burundi, protecting the black rhino of Zimbabwe, environmental education in Swaziland, and a project with the World Wildlife Fund - U.S. to inventory the animal life in the Beza Mahafaly Reserve in Madagascar.

Also, in Madagascar, A.I.D. is working with the International Rice Research Institute (IRRI) on a rice research activity to develop an institutional mechanism for exchanging rice germplasm and information between the local research institutions and IRRI.

The team researchers have been collecting germplasm and growing nearly 900 samples of rice in Madagascar. In addition to the work done locally, selected varieties are sent to IRRI where they are measured for specific characteristics and tested for specific disease resistance. Also, approximately 1,000 carefully selected seed samples are sent from IRRI to Madagascar for testing under local conditions.

This collection and preservation of indigenous (Madagascar) germplasm is vital to maintaining a wide range of rice germplasm adapted to both upland and irrigated rice productions. We are bringing together an international institution and a national research program to collect and maintain rice germplasm that otherwise may be lost to future breeding programs.

Natural Resources

It has become increasingly clear that the improved management of Africa's natural resources, especially land, water and trees for fuelwood, must be an integral part of our agricultural assistance efforts. The depletion of soils, deforestation, and poor land management are having a major long-term negative impact on Africa's agricultural future.

We are currently focusing on four major areas of concentration:

agroforestry, soil and water conservation, fuelwood management, and energy.

A.I.D. has been involved in Natural Resources Management (NRM) activities for some two decades. In the 1960's and early 1970's, we helped several African countries strengthen or establish national-level organizations to plan and administer forestry and other NRM and environmental programs. Renewed interest and activity began in 1972 and 1973 coincident with the severe drought of that time. We supported schemes to conserve fuelwood and seek alternative sources of energy through fuelwood production, village wood lots, improved cookstoves, and renewable energy development. Assistance was also provided to several countries for resource inventories, country environmental profiles and environment training.

Over the years it has become increasingly clear that the improved management of Africa's natural resources, especially land, water, and trees for fuelwood, must be an integral part of our agricultural assistance efforts. The depletion of soils, deforestation, and poor land management are having a major long-term negative impact on Africa's agricultural future.

As a result, we have refocused our efforts leading to the newly issued Plan for Supporting Natural Resources Management in Sub-Saharan Africa. (I am submitting a copy for inclusion in the record.) Its main themes are fuller integration of natural resource concerns within the overall A.I.D. program, particularly with respect to policy dialogue and agricultural development; increased attention to fostering African capacity to manage natural resources at all appropriate institutional levels, from the national level to the community; concentration of effort on a handful of priority problem areas; support for farmer-oriented participatory approaches as the basis for program planning and implementation; increased involvement of the PVO and NGO community in project implementation; continued attention to improving donor coordination; and, a commitment to addressing natural resource concerns within a long-term frame of reference.

This plan is the basis for a number of actions we are taking.

1. We will reexamine our existing portfolio to see how the NRM plan can be more fully incorporated into ongoing activities. We have already expanded the scope of training programs to increase the participation of women and to include more natural resources trainees.

2. The Africa Bureau has developed a new Natural Resource and Energy Management Project which will provide needed technical assistance and training resources to our missions overseas as they revise their portfolio to emphasize natural resources activities.

3. We have been consulting with the PVO community on NRM matters, for example during a day long meeting last fall on forestry activities. We reviewed the NRM plan and the PVO's role in its implementation in another meeting on March 12, 1987. BIFAD arranged for three university professors to participate in this effort and we continue to tap the U.S. university resource in the plan's implementation as we have done successfully in the Agricultural Research Strategy.

4. We have begun discussions with the African Development Bank to explore ways to increase its analytical capacity in the environmental area. If the Bank so wishes, we are prepared to reshape our existing technical assistance project to ADB in this regard.

I might mention some specific NRM projects which are presently planned or underway.

In Senegal, the $10.0 million Reforestation Project will mobilize local and private resources for treeplanting.

The Ruhengeri Resources Analysis and Management project in Rwanda is working with local farmers to reduce soil erosion and improve watershed stability within an environmentally sensitive watershed.

In Sudan the $4.6 million Renewable Energy project has used a combination of U.S. dollar resources and local currency to promote both the production and conservation of fuelwood resources through local institutions and non-governmental organizations.

Throughout Africa we are working with hundreds of Peace Corps volunteers, many of them in forestry activities.

The Development Fund For Africa

As I noted earlier, we have an opportunity to capitalize on Africa's recent successes in policy reform, and agricultural production, health, and population, as well as build on the positive mood that is pervasive throughout the Sub-Sahara. The

Development Fund For Africa, as I have mentioned earlier, evolved out of the interagency review process leading up to the President's initiative to end hunger in Africa. The concept of a Fund was strongly influenced by the excellent work in the Kennedy-Kasten bill last year. We believe the Fund is the vehicle that will enable us to move forward and support the continuation of positive development progress in Africa.

In addition to eliminating functional accounts, which will help increase management effectiveness, the Development Fund For Africa (DFA) will provide a long-term framework as well as continuity in funding. It will signal a special U.S. commitment, endorsed by the White House, to assist our African friends in their quest for a solution of Sub-Saharan Africa's unique development problems.

We will be able to continue agriculture, health, population, child survival, education and environmental activities while building on private sector and policy reform successes.

Experience has also taught us that the problems of development are complex, and even the best planning can go awry in the wake of unforeseen developments. For this reason, the Fund's flexibility to respond to changing realities will allow us to increase the impact of our programs. The Fund will permit us to be more responsive and take advantage of opportunities that arise.

The major long-term objective of our assistance is, of course, to help African countries initiate and sustain economic growth that allows them to attain food self-reliance and equitable developmental progress. Eventually, Africa will arrive at position where foreign assistance is no longer necessary. We achieved this goal in many other developing countries. We can do the same in Africa.

A key component in the DFA is the emphasis being placed on women and their role in production, marketing, and investment. Understanding the critical importance of women and how they influence development, and promoting their access to resources required for productive activity is a prerequisite for the success of our African strategy.

Finally, we believe that the Development Fund For Africa will move the development process away from the pressures to obligate funds and maintain annual country levels while moving toward program and project development plans that echo our development strategy. We are emphasizing result oriented objectives and will continue to conduct assessments to assure conformance.

Our FY 1988 request calls for a continued mix of project and non-project assistance to complement host country international organization and other donor efforts. It is important to ensure that sufficient resources are available to allow committed African nations to exercise greater control of their own destinies.

Most importantly, the proposed Development Fund for Africa responds directly to the need for change as defined by the African community. This was outlined in May 1986 during the United Nations General Assembly Special Session on the Critical Economic Situation in Africa. The most notable aspect of the U.N. meeting was the unique degree of unanimity among African leaders with regard to their prognosis for the future and the developmental changes needed to produce positive African growth.

Our FY 1988 request is for $500 million to support the Development Fund for Africa. In addition, $100 million for Africa from the Economic Support Fund account is requested to support strategic interests justified on political and security grounds.

The Southern Africa Initiative

The DFA also includes funds for our Southern African Initiative.

The countries of Southern Africa in varying degrees share many of the problems besetting all of Sub-Saharan Africa: periodic drought, decreasing prices for primary products, and huge external debt service burdens.

They also share the experience of a long colonial past, instances of unnatural dependency on South Africa, and an inability to maintain local institutions and infrastructure because of war, destabilization and political and economic uncertainty.

Their population is about 70 million, excluding South Africa and Namibia. Their total GDP is $22 billion, and their average per capita GDP is about $320 per year.

The Administration proposes a special initiative aimed at accelerating the economic development of Southern Africa by helping the countries of that region to improve transport and expand trade and private investment in the region.

In the short term, this U.S. initiative, whose interest areas are also shared and supported by a multi-donor community, will help Southern African countries to:

- ensure that economic reform measures can be continue or enhanced;
- provide more efficient, cost effective transport routes for vital imports and exports;
- save on import bills (through reduced transport costs and cheaper imports from the regional market), thereb making scarce foreign exchange available for other urgent needs;
- expand export markets; and
- help maintain employment and income levels during a period of economic crisis.

This initiative will also help set the stage for longer-term growth and development through programs to:

- realign regional trade patterns;
- develop productive local industries and promote competitive exports;
- embark on a new economic reform program;
- implement an equitable regional growth strategy to raise incomes and increase employment;
- restore the regional transport system to its former status -- one that is efficient, reliable, well-managed and maintained, and of service to the majority of producers and consumers of the region.

The United States has the opportunity now to expand its help to reenforce the fundamental decisions that countries of the region must make to promote further private sector led growth and expansion. The economic restructuring will in turn enable each country to attract new investment, expand trade and reverse the spiral of economic disasters.

The initiative will address the most acute constraint of the moment, the lack of foreign exchange to fuel increased production, trade and investment. This will make it easier for countries to implement national economic policy reform programs, and help the countries of the region through a period of economic transition which will inevitably impose hardships on consumers and producers.

Finally, U.S. assistance, combined with that of other donors, will help improve the physical infrastructure needed for efficient transportation of critical inputs and products for new and expanding markets.

A.I.D. and Private and Voluntary Organizations

Of particular importance in making sure that we keep up to date on trends and conditions in Africa are A.I.D.'s relations with private and voluntary organizations working throughout the continent. The contribution of private and voluntary organizations to the successful implementation of projects is well known. Of equal interest are the daily contacts, information sharing, and feedback in the field, as well as the seminars and working groups held here in the United States which they provide. Our recent cooperative efforts relating to the drought are clear examples of the effectiveness of this union.

The kinds of reforms currently taking place in Africa frequently involve decentralization leading to increased local activity and enhanced use of local level institutions. PVO's, both U.S. and indigenous, are often ideally suited to foster and reenforce this kind of change.

We realize the PVO community has concerns about A.I.D.'s interest in policy dialogue and non-project assistance, but there is a linkage between them and PVO activities. In our view, as economic reform proceeds and privatization increases, more opportunities will open up for private sector entities, including cooperatives and PVO's, to carry out their programs.

Conclusion

I believe we can be proud of A.I.D.'c record in Africa over the past twenty years. However, the kinds of changes we have fostered in recent years will, in my mind, have a more profound impact on life in Africa than we can now imagine.

An Africa with a stable and healthy population, a flourishing agricultural sector, a thriving private sector, and a strong and compassionate governmental sector is the goal of our assistance. A.I.D.'s current program fosters this kind of growth and reflects many of your concerns.

It is a good strategy, and we believe it will yield sound developmental results.

I look forward to your questions.

POLICY REFORM

Senator INOUYE. Can I start off with policy reform, and go back to the beginning? This year the administration is requesting half a billion dollars in a fund for Africa, and the purpose of this new initiative is to encourage policy reform in Africa. However, I note that for Zaire, under the Development Fund for Africa, the President is requesting $33 million in development assistance.

The congressional presentation document, however, states that no new projects or program initiatives are proposed for 1988. You do not consider that $33 million as a new project or a new program initiative?

Mr. LOVE. In the policy reform package we have requested, we have not proposed specific policy reforms for Zaire. We have ongoing development activities that were previously approved for Zaire, but only partially funded. We also have a major policy reform program that was approved for Zaire at the end of last year but has not yet been disbursed.

ZAIRE

Senator INOUYE. A little over a month ago, an article appeared in the The New York Times covering the visit of President Mobutu, which concerned me. I would like to review these statements and statistics.

The New York Times says: Zaire is black Africa's classic case of mismanaged independence. It then goes on to say: at independence, Zaire had 85,000 miles of roads; only 12,000 are now passable. At independence, Zaire exported food; now it is a net importer. Wages today are 10 percent lower than at the time of independence. Half of the children die before the age of five.

Then it goes on to say that some of President Mobutu's overseas real estate holdings are public knowledge. They include chateaus in Spain and Belgium, a townhouse in Paris, a villa near Monte Carlo, an estate in Switzerland, a horse ranch in Portugal and a villa in the Ivory Coast. After his meeting with President Reagan where he asked for easier terms in servicing his nation's $4.5 million debt, President Mobutu rented a Concorde to fly his daughter to her wedding in Abidjan.

Would you consider Zaire a classic case of mismanaged independence?

Mr. LOVE. I would say that Zaire in the last 3 or 4 years has undertaken some of the most serious and substantial economic reforms in Sub-Saharan Africa. I do not know what Mr. Mobutu's overseas holdings are.

I can only say that they have been working closely with the IMF and the IBRD. They have made major reforms in the management of their economy. They have liberalized their import regime so that they have a fairly open, free regime. They have eliminated subsidies. They have eliminated price controls.

They have opened up their economy probably as much as anybody in Sub-Saharan Africa. I think that is important, because in a country that has been accused of being corrupt, the elimination of government controls throughout the economy reduces the temptation and opportunities for people at the bureaucratic levels to engage in corruption.

Now Zaire also has acquired substantial debts in the past, and they have one of the highest debt service ratios in Africa. The problem that President Mobutu is most concerned about is that despite the fact that he has undertaken substantial reforms, substantial budgetary cuts, almost even more than foreign exchange shortages have drained his economy thereby undermining their ability to continue what we believe are fairly successful economic reform efforts.

I know the history of Zaire, but I still think they have done in the last 3 or 4 years one of the most heroic efforts of reform of any country on the continent.

Senator INOUYE. So you think that this can be turned around.

Mr. LOVE. I do not think Zaire in the long run is going to turn around its economy unless either there is a turnaround in the basic export commodities, which are essentially copper and cobalt, or unless a way is found to restructure and refinance their external debt.

Those two factors cause so much trouble in terms of their external balance of payments and their budgetary effort that it will always dampen the growth potential from any turnaround in domestic policies.

CENTRAL AMERICAN PEACE SCHOLARSHIP PROGRAM

Senator INOUYE. Mr. Ink, this may be a small item: the so-called Central American Peace Scholarship. I think that is in your portfolio.

Mr. INK. Yes, sir.

Senator INOUYE. How many students will be brought from Central America to the United States in fiscal year 1987, and what will be that cost?

Mr. INK. In 1987 we expect about 3200 trainees in the United States, and the overall cost is projected at about $33 million. By the way, we regard that as a very important program.

Senator INOUYE. Who selects the students?

Mr. INK. The students are selected out in the missions in cooperation with the countries. But they are selected in the missions.

Senator INOUYE. But the local government does the recommendation?

Mr. INK. Not necessarily. The mission looks to different groups. They oftentimes will have a contractor who will assist the mission in making the selection.

Senator INOUYE. Who decides where the students will study?

Mr. INK. That is normally done by the mission, working with the contractor.

Senator INOUYE. We have been receiving reports that more than half of the students selected come from both upper classes: sons and daughters of government officials and sons and daughters of families that can afford to send their children without government aid. Is that concern well founded, or are those charges well founded?

Mr. INK. I do not think so, but in view of your having raised it, clearly we have to look into it. I would also indicate that there are some other training activities going which are not focused so much toward the less well-endowed families. Whether the reports come from there or whether in the CAPS program there are instances in which we fail to meet our targets, I would have to look at. Let me do that and get back to the committee.

[The information follows:]

SELECTION OF DISADVANTAGED STUDENTS FOR THE CENTRAL AMERICAN PEACE SCHOLARSHIP PROGRAM

Since the beginning of the Central American Peace Scholarship program we have used economic means criteria for selecting students and have recruited primarily from rural lower income families. Of the students who had come to the United States prior to December 1986, two-thirds were selected precisely because they were economically disadvantaged; 62 percent were from rural areas; and the majority (64 percent) had a high school education or less. Indeed, 28 percent had a sixth grade education or less.

COSTA RICAN INVESTMENT IN CUT FLOWERS

Senator INOUYE. I would appreciate that.

In Costa Rica, I believe the mission under your control encouraged the government to invest in cut flowers for export to the United States. Then once the business began to flourish, the International Trade Commission moved in and levied a high duty on the export of these flowers, because they determined that Costa Rica was subsidizing its exports. Do you coordinate your efforts with the International Trade Commission?

Mr. INK. First, the export promotion effort in Costa Rica and other countries is not targeted toward individual projects but rather to help develop and support for a period of time an export promotion institution, which is the case in Costa Rica.

With respect to the cut-flower area, however, I think it does raise a need for some additional coordination. We did not promote cut flowers, however; I want to correct the record on that. But we have urged Costa Rica and other countries to promote nontraditional exports, because it is only through exports that they can earn the foreign exchange that they require.

With respect to cut flowers, and certain types of vegetables, our people normally caution these countries about potential competition with U.S. producers. I think that was done in the case of Costa Rica, but I would have to check the records to be positive.

Mr. BISSELL. Mr. Chairman, if I could just add two points of a general nature. We have in the last 12 months worked with our missions, particularly in Central America and the Caribbean to advise them of the kind of sensitivities that exist here in the United States in their export promotion work. We are continually working with those missions to keep them apprised of the export-sensitive industries that people are concerned about in the United States.

In the other direction, within the last month the Department of Commerce and A.I.D. put on a seminar for a number of officials from these countries in Washington. We described for them the kinds of legislation and import concerns here in the United States so that they themselves would understand exactly what the situation is here.

This cut-flower case was one that sensitized us to a number of problems in terms of our ongoing work around the world in export promotion. And I would like to think that our cooperation with the ITC and the Department of Commerce, and then involving the missions and the recipient countries has in fact improved our response.

Senator INOUYE. I think that approach is realistic, because otherwise you are going to dive into a hornet's nest here and the end result would be your loss of credibility in those mission areas and loss of support here.

Mr. BISSELL. Exactly.

Mr. INK. Mr. Chairman, there is a CBI policy group and a working group which does involve Commerce, the U.S. Trade Representative, State and A.I.D. It also involves other groups that are focused toward both how to best encourage and promote the trade back and forth—it has to be a two-way street—between the United States and Latin American countries and also the kinds of precautions that Mr. Bissell was just speaking of.

Our missions actually devote a fair amount of effort toward sensitizing people toward this kind of problem. In some instances, it requires a fair amount of sophisticated knowledge of the market.

For example, with respect to some of the winter vegetables, there are certain types of handpacked vegetables which are not any significant problem with respect to American producers, whereas the mass-produced and machine-packaged vegetables, in certain areas and at certain times of the year, tend more to be in competition.

I mentioned time of year. That is terribly important, because there are winter vegetables that are produced in the United States but are not produced uniformly throughout the winter period.

ECONOMIC ASSISTANCE TO JAMAICA

Senator INOUYE. You are increasing the economic aid to Jamaica from $25 million in 1987 to $45 million in 1988. Yet the most recent report from GAO would suggest that Jamaica is most unwilling to undertake economic reforms. You speak of 11 areas of concern, and they have addressed only three. What is happening in Jamaica?

Mr. INK. In Jamaica, there was quite a bit of progress made earlier under Mr. Seaga. As the elections approached, that progress tended to lag. It also took some time to work out an agreement with the IMF, so there was a period of time in which I think the concern about Jamaica was not only understandable but valid, and one that we shared.

They seem to be moving forward now. Our meetings with them are much more encouraging. The IMF agreement has been, I think, a turnaround; there is new life in that program. So we base our request in large part, upon a view that Jamaica is resuming the kind of effort that it had under way earlier.

SCHOLARSHIP PROGRAMS

Senator INOUYE. Senator Kasten?

Senator KASTEN. Mr. Chairman, thank you.

I want to follow up, if I may, on this scholarship question. Yesterday, a number of us were meeting with the President, and discussing the overall strategy on Central America. One of the things that came up in that meeting is the fact that we are still a long way away from reaching the goals in terms of scholarships to Central America and South America that the Kissinger Commission outlined.

Do you remember the goals that the Kissinger Commission outlined in terms of students from the area over a period of, I think they expressed it over 5 years?

Mr. INK. Yes. The program that was laid out by the Kissinger Commission, as you know, was a 5-year program. Although it called for a 7-year program, they did not try to lay out program specifics for all of the 7 years. Therefore they laid out the specifics and the funding recommendations for only 5 of the 7 years.

With respect to training, as I recall, the recommendation was 10,000 of which one portion of that, 1700, was USIA and 8300 was A.I.D. I cannot speak to the USIA portion of it, but we do expect to exceed that target insofar as the A.I.D. portion is concerned.

Senator KASTEN. You said that this year you are going to have roughly 3500 students, and that next year you will have 3200 students. Are you saying that the program is shrinking and not growing?

Mr. INK. No. I apparently did not speak very clearly to that. For this year, fiscal year 1987, we estimate about 3500 students. This includes approximately 300 students under the Central American Scholarship Program [CASP] administered by Georgetown University. For next year, fiscal year 1988, we are projecting over 4000. So we are projecting an increase for next year.

We also have undertaken a similar but smaller program in the Caribbean which the President announced in Grenada not quite a year ago. And as a result of visits I made in the Andean countries, we are starting a smaller program also in the Andean countries.

Senator KASTEN. Of this group of 3000 or 3500, how many are full-time students who in fact would come to a university here and go to school for two semesters or more and then go home? And how many are in programs where you bring groups of people here for a limited period of time, sometimes even as few as, I guess, weeks? And how do you define the difference between so-called training and education?

I think with the Kissinger program, they envisioned a program of education in which students would come here to become part of a full-time university experience.

Mr. INK. I do not have the numbers, but a substantial number of them are the shorter-term technical training.

Senator KASTEN. Am I right that sometimes it takes months, even weeks?

Mr. INK. That is correct.

Senator KASTEN. Days?

Mr. INK. I am not aware of any that were days.

You, Senator, expressed concern last year at this hearing about instances in which there were apparently substantial numbers here for 2 or 3 weeks. You also expressed the view that in most cases that really was not enough to achieve a number of the objectives of the program. So we have told our missions to extend programs longer than that. We have not told them, however, that they have to go to a full curriculum at the universities.

TRAINING PROGRAMS

Senator KASTEN. Mr. Chairman, could you provide to the committee some kind of an outline of what kinds of programs, how long they are, and what percentages? I know that you might not have that information in front of you.

But it is the intent of the Kissinger Commission, clearly. And I have talked to Senator Domenici and others about it. Yesterday, Senator Graham from Florida discussed this with the President and the Secretary of State in the meeting that we attended at the White House. I think we are just missing the boat here. You have got the numbers, but I do not think we are getting the quality of training.

Also, we are spending roughly $10,000 per student, if your $35 million figure is roughly right. That is a pretty expensive 2 or 3 weeks, if it is a $10,000 2 or 3 weeks. And you have to be very heavy in bureaucracy. You should be able to be sending virtually all of these students to at least a semester of meaningful education at a good school.

Mr. INK. Yes. Of course, a number of these are not incoming students. A number of them are mid-career. We do have some very positive reports about individuals who have been here for a shorter period of time, although we agree with you that the 2 or 3 weeks is normally not sufficient to achieve the objectives.

INTERNATIONAL STUDENT EXCHANGE PROGRAM

Senator KASTEN. We will go into that in more detail. With regard to the question that Senator Inouye raised, the International Student Exchange Program which is going through Georgetown is a program in which they are actually reaching out, not only to find the people in the middle- and lower-income groups, but also to find people who are not from the large cities but from the smaller ones, with the idea that they are not getting the people from the capital city, if you will, but the smaller cities out into the country.

We have a couple of those programs now going in Wisconsin, that I am personally aware of, and they have been working very, very well. But those students are coming from Panama, from El Salvador and from other countries. They are coming for a semester or, in certain cases, two semesters, going to the University of Wisconsin or a branch of the University of Wisconsin. They will not all be at Madison.

It's a program that I think has worked well, and I want to see you do more of that kind of thing.

I think we have got to filter the Kissinger Commission requirement in the spirit of what they said, not just the law. If you tell us that we have 3500 people, that is great. But do we have 3500 people who are involved in a total American educational experience which will be an important part of their lives? That is the key.

Mr. INK. Senator, if we limit this to those who are in a university setting, then we do have a trade off to consider in that there are many people in Latin America who are no longer entry students, who cannot participate in a long training effort. So we have that trade-off, which I think we would like to explore with you.

We think there is a good deal of value in some of that training experience, opportunities to meet people out in the communities here in the United States in instances which are not restricted to an undergraduate or graduate university.

Senator KASTEN. We will explore that. But in my view, those kinds of experiences should be over and above the basic scholarship programs which were envisioned by the Kissinger Commission.

ASSISTANCE FOR AMPUTEES IN EL SALVADOR

Let me ask you about another area. Beginning over a year ago, this subcommittee has been trying to get A.I.D. to assist men, women and even children in El Salvador who have lost arms and legs because the guerrillas in El Salvador are mining some of the roads and back roads. So far, while you did respond, we understand, by sending down a team of some kind, it is 13 or 14 months and you have done nothing.

I am told that you have some plans, but this is not a new technology. The problem is simple. You also have a group of people, a private voluntary organization, the Knights of Malta, who are prepared to assist you. Yet for one reason or another, you have been unable or unwilling to move forward with a program.

We want you to send up a program today to allocate X number of dollars, $200,000, whatever the number is that you have been talking about, and stop delaying with the idea of expanding it or doing it differently or doing it more.

There is a real need. There is no new technology needed. The problem is there, and the PVO is ready. For it to take 13 months is just crazy. Maybe you have too many levels of bureaucracy that you are trying to work through, or maybe you are trying to make the program into something that it is not. But it has taken 13 months. What is going on here?

Mr. INK. The program, as contemplated, is about $2 million. I cannot tell you why the plan took so long to come forward. We did have in the mission some preliminary plans which were discussed with some of the staff of the committee a week ago. I was not here, but I think it was roughly a week ago.

Senator KASTEN. How would you spend $2 million? You have $2 million. What we are talking about is a specific program of artificial limbs for a specific group of people who are now in hospitals or out-patient care. Why is it a $2 million program?

Mr. INK. The initial fitting of limbs that you are talking about is not $2 million. One of the elements that came out of the discussion with the committee staff was that we ought to break out this initial phase and move forward.

Senator KASTEN. But it is a year and a month, so nothing is early any more.

Mr. INK. Since those staff discussions—I may be off a week; maybe it was 10 days or whenever it was.

Senator KASTEN. You are not arguing with me about a year ago, though, when we began this.

Mr. INK. Apparently not. I did not realize we had $2 million a year ago.

Senator KASTEN. The problem was identified, and our people started trying to work with you. Can you get back to us today? Let's break the $2 million out, and let's get the limbs and let's get to work with the PVO that wants to help.

Mr. INK. Let me say two things. One result of the discussion with the staff, the mission came in yesterday with a proposal which would move forward with that portion of it ahead of the rest of the program. Their plan is to sign the agreement with that PVO in a couple of weeks.

Senator KASTEN. I would hope that it is faster than a couple of weeks and that you break through all the different bureaucratic problems. You are probably spending more time and more money on people in your own agency than we are in trying to help these people. This is crazy.

Mr. INK. There is some disagreement and controversy with respect to which groups ought to be drawn upon. However, the area that you are particularly concerned about, I think, is not heavily involved or substantially involved in that issue.

Senator KASTEN. We are not part of the debate, right? I do not know what you are doing with the other money, but what I am concerned about right now is the specific problem of artificial limbs. There is no controversy, and you should go forward.

Mr. INK. The delay has involved the second phase, Senator.

[The information follows:]

A.I.D. ASSISTANCE TO AMPUTEES IN EL SALVADOR

There are an estimated 1,000 civilian amputees in El Salvador. A.I.D. has formulated a comprehensive strategy to respond to the immediate needs of the amputee population (both in-country and the referral of more complicated cases to the United States), and the medium-term needs of amputees. In a separate but supportive activity, the upgrading of emergency medical services in order to provide improved paramedic and trauma services to increase the chances of saving limbs and reducing mortality also will be undertaken.

A.I.D. began to address the civilian amputee problem in August 1986 when it signed a $280,000 grant with the Salvadoran Rehabilitation Institute (ISRI) to increase the quantity and improve the quality of prosthetic devices. These funds are for technical assistance, equipment, and vehicles.

A. Direct Assistance to Amputees

1. Immediate Needs (proposed A.I.D. budget $565,000)

In April 1987, A.I.D. will provide $150,000 to the Salvadoran Association of the Knights of Malta to organize and carry out a campaign to provide lower-limb amputees with preliminary prosthetic devices. An estimated 500 civilians have suffered the loss of one or more lower limbs as a result of land mines and war-related trauma. These amputee victims are currently awaiting assistance from rehabilitation facilities.

This project will meet approximately 75-80 percent of the total amputee population's immediate needs for temporary prostheses. A flexible, responsive, short-term, in-country program is required to address the backlog of civilian amputees. A.I.D. will support efforts to identify and evaluate readiness of these amputees for prostheses. A comprehensive census of the amputee population, evaluation of the medical and prosthetic needs of individual amputees, and a comprehensive logistics plan (including ordering prosthetic devices, and scheduling fittings in El Salvador) are planned. A U.S. certified prosthetic team will fit temporary prostheses imported from the United States beginning with an initial group of 30 amputees. The first group is expected to be fitted beginning about April 20, 1987. The estimated starting date for the full-scale campaign is June 1, with the goal being to fit all lower limb amputees within four to six months.

A.I.D. also plans to provide $350,000 to the Salvadoran Telethon Foundation for Rehabilitation in April 1987. This activity will provide promotional support required to carry out the census of the amputee population and advertise the availability of this temporary prosthetics program; mobilize the Salvadoran private sector to provide housing, food and in-country transportation for the amputees; initiate fund-raising efforts within El Salvador to support the operational costs of the permanent prostheses which will replace the temporary devices; and continue operations of the regional rehabilitation centers which will be used during the medical evaluation of the amputees and gait training once they are fitted with prosthetic devices.

In addition, A.I.D. plans to assist in facilitating referral of the more complicated amputee cases to U.S. medical institutions for treatment. The Salvadoran Commission on Human Rights and the Knights of Malta can identify the amputees needing such referral. We understand that TACA Airlines has agreed to provide a limited number of free airline tickets to TACA's points of entry in the United States to support this effort, and that several U.S. medical institutions may be willing to provide treatment free of charge. We are also contacting several U.S. airlines to determine if they can provide free transportation from TACA entry points to U.S. medical institutions. We expect to submit a Notification to Congress in April, subject to the confirmation of the support of the airlines and the medical institutions. A.I.D. support to this activity is estimated to be $65,000.

2. Medium Term Needs
(permanent prostheses and institution building):
(proposed budget $1.5 million)

A.I.D. plans to assist in the development of Salvadoran capacity to manufacture prostheses, fit amputees, and provide rehabilitative and occupational therapy. Technical assistance, training and equipment will be provided by A.I.D. over a three-year period. This is a complex undertaking for which careful initial planning is essential. The estimated date for a grant to be signed is July 1987. The A.I.D. Mission in San Salvador has opened discussion with various Salvadoran institutions regarding the potential location and management of the prosthetic workshop.

In summary, the total A.I.D. budget for Salvadoran civilian amputees is estimated at $2.345 million.

B. Upgrading of Emergency Medical Services

In a separate, but supportive activity, the upgrading of emergency medical services will be started in August 1987. This activity builds on our experience under a previous health project and is important in dealing with the backlog of civilian amputee cases. This effort will provide technical assistance, equipment and supplies to enhance the Ministry of Health's capacity to provide paramedic and trauma services to increase the chance of saving limbs and reducing mortality. The proposed budget is approximately $1.2 million, in addition to the $2.345 million being provided for direct assistance to amputees.

ENVIRONMENTAL IMPACTS OF VARIOUS DEVELOPMENT PROJECTS

Senator KASTEN. Mr. Love, over the last several years, this subcommittee has been interested in the environmental impact of various development projects, particularly in Africa but also in India, also in Brazil, also in other places.

What are you doing now in order to be sure that some of these kinds of projects, which are improving the economy and improving agricultural production, et cetera, are not at the same time having an adverse effect on the environment. Like some cattle ranching, for example, in Botswana, that works for about 3 or 4 months after which that particular grazing area is ruined for 20, 30, 40 years.

What are you doing to recognize the environmental impact of these different projects and to be sure that they are sound, not only for the immediate future but for the years to come?

Mr. LOVE. We have been approaching it in a number of ways. One, we have a procedure in which each A.I.D. project requires a specific determination on the environmental impact, which is done at the project-identification stage. Then if it is considered to have high environmental risk aspects, there is a detailed environmental assessment required to be done on it. That has been standard procedure in the agency for quite a few years.

We believe that the problem with the environment in Africa is broad and complex. This year, we finished a broad strategy paper that attempted to look across the board at Africa, pinpoint where some of the major problems are, and attempt to revisit our entire portfolio with a view toward beginning to address some of the environmental issues in Africa.

The project you are talking about in Botswana is a Multilateral Development Bank [MDB] project. Of course, Treasury, as you know, has been strengthening its review process with the World Bank, in particular, on those projects and making more input at the board approval.

We have been particularly concerned about the African Development Bank. We have found a fairly receptive audience with that bank, particularly in environmental concerns. We do have an existing technical assistance grant with that bank, with which we have discussed doing some retooling of the grant to provide the African Development Bank some additional technical help so that they can strengthen their own internal environmental procedures and get closer to what we would like to see in all the MDBs and strengthen their own internal review by strengthening their internal procedures.

So we have been trying to hit it on our own projects, trying to come up with a broader strategy that would get into our programming, and looking at the MDB as an institution. Then we have been working with the Treasury on the recommendations that they make to the World Bank. This does not always turn some of those projects around.

In a couple of program areas, such as livestock, we were more active in the past. As a result of our evaluations, we have developed some severe concerns about whether we should continue major programs. This is because we have not always been able to pinpoint problem areas. So we have really drawn back rather substantially in terms of our own direct programs in the livestock area.

Senator KASTEN. Thank you for your answer and for your interest. I know I, and I believe the subcommittee, will continue to pursue this overall area, because we have been making some decisions which may have been correct in the short term but clearly disastrous in the long term. For the kind of economic development and sustainability that you are talking about, we have to be sure that we are dealing with basic environmental guidelines.

I have one more question, Mr. Chairman.

SOUTHERN AFRICA PROGRAM

Mr. Love, as you know, Congress has had some concern over any southern African program by which the money would go to the Southern African Development Coordinating Committee. Through that organization, people are concerned that money could perhaps go into Mozambique and Angola through the group without their being able to follow those dollars.

There is also concern now that some of the money that would go to that Development Coordinating Council could be funneled into some of the transportation plans or transportation schemes which some are trying to develop the Beira corridor.

Can you assure us, first of all, that no money is going to Mozambique or to Angola indirectly through this group, and secondly, that no money is going to be funded or being used to fund either directly or indirectly this new or proposed transportation corridor, the Beira Corridor?

Mr. LOVE. Let me take the Beira Corridor first. We did in the past put $5.5 million into the program to work on rehabilitation of some of the locomotives used in the Beira Corridor. That was pre-1986.

We have no plans at the present time to directly or indirectly work on the Ncala Corridor, the Beira Corridor or the Maputo Line through to Maputo. While we think those are important transport corridors, we think they are currently adequately subscribed by other donors. We are looking at the present time for our investments to be focused on Tanzania on the Tazara line and a line from Malawi north which would tie into the Tazara line. We plan to upgrade the rolling stock on the Tazara Line which connects into Zambia. So we have no plans to work in Mozambique.

The nature of the SADCC operation has been built around direct assistance to the individual countries rather than funneling funds through a central regional mechanism. That has been at the choice of the SADCC countries themselves. We support that. If we have made any money available to SADCC—and it may be zero—it would have been small amounts of technical assistance.

So any activities we would do would basically be signed with individual SADCC countries to use regional funds.

Now, the problem we have had with places like Angola, which we have discussed many times in the past, has been, for example, when we set up an agricultural research facility, in say Zimbabwe, and there is some training there that may involve an Angolan coming to the project site.

We are very careful to have the lawyers review it thoroughly every time we do this to make sure that we are not providing assistance to Angola, which is prohibited by law. We did with Mozambique before the ban was lifted there.

So we are sensitive to your concerns. Anything we do we are doing up front and we are doing it through the bilateral mechanism.

TANZANIA

Senator KASTEN. You mentioned Tanzania. Tanzania is in violation of the Brooke Amendment right now, so they would not be eligible.

Mr. LOVE. There are two ways of looking at Tanzania. The easiest way to look at it is that a rescheduling has been agreed to in Paris a number of months ago. They will be out of Brooke in probably 30 to 60 days, so they would not be ineligible.

As you know, Tanzania has reached an agreement with the Fund and the Bank. They have gone through a very promising new structural adjustment package that so far they have adhered to. As a result of that, the rescheduling did take place in Paris, which will take them out of Brooke once we sign the agreement.

Senator KASTEN. I have some additional questions, Mr. Chairman, that I would like to submit for the record.

We are going to be following that whole pattern of funding in Africa, and we look forward to working with you. Thank you.

THE "BRAIN DRAIN"

Senator INOUYE. Mr. Bissell, at the end of World War II, this Nation embarked upon some ambitious programs, first to assist our Allies and, in the case of Japan, our enemy to bolster and support their economy so the result would be stable governments, the theory being a stable government can better withstand an onslaught of communism. And this was in our national interest.

The Marshall Plan was without a question a great success. So we decided to use the same concept and help the less developed countries, indicating that this would be in our best national interests to shore up these countries, provide stable governments, and thereby provide better markets for us, et cetera.

In this endeavor, we spent large sums of money, billions of dollars, providing scholarships, as we do now in Central America and Africa and all over the world, and we trained literally thousands upon thousands of physicians, nurses, technicians, engineers, et cetera.

But sadly, we find that the great bulk of them are here. For example, we have more Iranian physicians with offices in the United States and working in hospitals here than they have in all of Iran. And I believe we have more Filipino physicians in the United States today and more Filipino nurses, and many of them trained under scholarship programs, than they have in the Philippines. I think you can find the same with many other countries.

The purpose of these scholarship programs is a rather simple one: to train these people so they can go home and use their newly acquired skills to help their own people.

Are we doing anything to make certain that these people go back, these doctors go back to the barios, to the villages, and help their folks?

Mr. BISSELL. It is a very important question. I think it has to be asked of any education and training program that the U.S. Government is offering.

The classic problem of "brain drain," as it is usually called, is one that certainly we at A.I.D. and people in general, have considered at great length. There is really a short-term dimension and a long-term dimension at the same time. The short-term question is: do people trained by A.I.D. then return to their own countries to apply the training? Our records show that some 99 percent in fact do return to their own countries.

Senator INOUYE. In the first year.

Mr. BISSELL. As a short-term question, they do return to their countries. This is something that does matter to us a great deal. Our missions track whether or not these people return. There is good reason why many of them do. Many of them are mid-career people who come here for advanced degrees, and of course they leave their families at home. A.I.D. is concerned about that issue.

The long-term question is a much greater problem. I personally, before joining A.I.D., had worked with the National Association for Foreign Student Advisors on a study over a 2-year period of how the United States deals with this issue.

Obviously the question that comes up concerns our devotion as a country to the notion of free movement of people and whether we will, in fact, accept people in the United States as we have in the past.

The issue of the long-term brain-drain is not going to be settled by A.I.D. It seems to me, to take it to its logical extreme, we cannot ban people from moving to the United States simply because they have had A.I.D. training.

We do not know what percentage of those people who have been trained here return to the United States over the long term. We do not have a long-term tracking system. It would be a very extensive study, and it might be something that could be done.

The issue is something, as I say, that should concern us in A.I.D. in the long term. That kind of movement of people, I think, is partly a function of their having been trained with A.I.D. support and, more importantly, the result of what is happening in their own societies.

It is frequently the professionals, the middle class, who are squeezed out, for instance, amidst turmoil or disorder. And they tend to move elsewhere when their country is beset with internal strife, whether to the United States or Canada or Europe.

So it is a real issue, and I think it is one that concerns us very much in the long-term sense.

REQUIREMENT FOR PARTICIPANT TO RETURN TO HIS/HER COUNTRY

Senator INOUYE. I have some suggestions I have been trying to share with A.I.D. over the years. I am in full support of the American right to free movement. I think it is an important right. However, when we provide these grants and scholarships, why do we not at least have the recipient sign a statement saying that upon completion of my studies, I promise to return to my country and serve my people? There is nothing in our grants that would morally or otherwise make them return.

Second, why can we not work with the country itself so that we would be a bit more selective. We would train Mr. X, because there is a position that is waiting for him, a public health officer; we would train him because this country needs a public health officer. When he would finish, that is the spot he would take. We would at least get some commitment from that country. Apparently we are not doing this.

Mr. BISSELL. Both of these gentleman can address their regional experience. But let me say generally, on the first point, that I think that is implicit. It may not be spelled out in contract terms, but it is certainly implicit that we are training them to go back to perform very important functions in their societies.

On the second issue, my experience in knowing a number of people who have been trained in the United States is that in fact they do receive such good training that people do reserve spots for them; that is, they are very much desired in their own societies. It is not a question of their not having a position to go back to with their specialized training that they have obtained, particularly A.I.D. training.

The problem, it seems to me, is much less with those who come here under A.I.D. auspices than with those who come for relatively general education in the United States who do not have a specific function to go back to, and so they say "I would much rather live in Los Angeles than who knows where."

Senator INOUYE. If the scholarship is given by the Episcopal Church or the Catholic Church, I can understand that they might stay here. But I am talking about the Government grants.

Mr. BISSELL. I understand.

Senator INOUYE. Although it is implicit and you and I understand that, that we are training these young people to go back to their countries, why do we not take the additional step and let them sign a little piece of paper?

PARTICIPANT TRAINEES FROM AFRICA

Mr. LOVE. Senator, I do not have the statistical breakdown on that, but I believe in many cases we do require that. We work with the government to select the specific position that will be filled by the person. The person comes to the United States and is sometimes and sometimes is not contractually obligated to go back to that specific job for at least 2 or 3 years.

I think it is when you get further down the pike that you begin to have a tougher and tougher time controlling the situation. I will be happy to look into that for Africa, because we have looked at both the question of getting firm agreements with the individuals as well as getting agreements with the government that these people will in fact go back to the positions for which they are being trained.

Senator INOUYE. I am all in favor of doubling and tripling these scholarship grants but not to subsidize hospitals around here. You know as well as I do that if you go to a hospital around here—I do not care whether it is in this city or New York City or Boston or Los Angeles—if you happen to be there at 2:00 in the morning you ain't going to see people who look like you. You are going to see Indians, Pakistanis, Filipinos. And we are subsidizing them. That is my concern.

PARTICIPANT TRAINEES FROM LAC

Mr. INK. Mr. Chairman, the brain drain is a real problem, as you have outlined. Our bureau experience, I think, has been similar to Africa in that we have not encountered substantial problems in terms of their returning to the countries. In some instances where they have stayed in this country over a period of time, have gone through both undergraduate and graduate study, that has presented some difficulties. But the percentage is extremely small.

Those who are coming up for the shorter term training present the problem that Senator Kasten pointed out. We do not achieve as much of the objectives of the Kissinger Commission that we do in the longer term. One of the offsets that I referred to, however, is that they do go back and they tend to stay back home after completing their studies.

One other point: we have urged our missions to do more in the way of followup after they return. As was mentioned, our problem really is not so much their returning to the country. That seems to be a very manageable problem so far as the A.I.D. programs are concerned.

But what happens to them after the return? We do not have good information at all in terms of how many eventually come back to the United States and helping them when they do return, those that are not going back to jobs. Those that are in a project have a job to go back to. But those that are on a scholarship program and have entry into the university system normally do not have a job to go back to. We are urging our missions to do more in the way of followup and helping them with the institutions back in the countries to make sure that they do find gainful employment.

[The information follows:]

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

APR - 8 1987

The Honorable Daniel K. Inouye
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I would like to elaborate on the response Richard Bissell gave to your question during the March 19 Senate Appropriations Subcommittee on Foreign Operations hearing on A.I.D.'s policy requiring participants to return to their home country after training.

A.I.D. has an explicit policy that participants are obligated to return to their home countries upon completion of their planned training programs and to apply their skills in development-related activities for which the training was authorized. This policy is reflected in the "Conditions of Training" which all participants must sign before their departure for training (copy enclosed).

As all A.I.D. participants must come to the United States under a J-1 (exchange visitor) visa, the policy is reinforced by the J-1 requirement that sponsored students must return home for two years before they are eligible for other categories of U.S. visas, such as an immigration visa. The Agency receives requests from the Immigration and Naturalization Service (INS) through the U.S. Information Agency that the two-year requirement be waived. Each case is reviewed carefully and given serious consideration. Nevertheless, A.I.D. almost always recommends the request be denied. To our knowledge, INS always acts in accord with our recommendations.

These procedures are strongly supported by most host governments. Moreover, in some cases, additional requirements are imposed by those governments, such as forfeiture of bonds or financial penalties on families if the participant does not return.

There are cases of participants who do not return to their home countries upon completion of their program. According to the information available to us, that number has been quite small.

I hope this additional information is useful to you.

Sincerely,

Kelly C. Kammerer

Kelly C. Kammerer
Director
Office of Legislative Affairs

Enclosure

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

CONDITIONS OF TRAINING

Name of Participant (Mr., Mrs., Miss) (Last, First, Middle)		2. PIO P No.
3. Country of Training	4. Cooperating Country	5. Project Activity No.

I agree that if I am accepted to receive technical training under the A I D -sponsored participant training program, I will adhere to the program arranged as requested by my government, devote my time and attention to my studies and/or practical training, and conform to A I D regulations and procedures for the duration of the training program. I agree that I will not seek extension of the period of my program but will return to my country without delay upon completion of my training and will endeavor to utilize for the benefit of my country the training acquired under this program.

Furthermore, I thoroughly understand the following policies of A I D:

I. Dependents - A I D discourages dependent relatives from accompanying or joining a participant while he is in training in order that the successful accomplishment of training objectives will not be hampered by increased problems of adjustment and added financial burdens for the participant.

II. Degree Training – Participants in degree training do not compete with American students for fellowships nor are they available to fill university staff needs.

III. Attendance of Participants at Non-A I D -Sponsored Conferences – Attendance of participants at non-A I D -sponsored national or international conferences, conventions or meetings of professional, trade, or other associations is permitted only when such attendance is a part of a regular A I D participant training program of one month or longer.

IV. Termination of Training Programs Before Normal Duration – A I D reserves the right to terminate the training program of those participants who:

A. Fail in their academic or other studies.
B. Fail to carry classroom work that the training institute believes is commensurate with their ability.
C. Fail to show sufficient interest in or to pursue effectively the practical training phases of their programs.
D. Have severe health problems.
E. Conduct themselves in a manner prejudicial to the program or to the law of the country of training.
F. Marry during training without securing prior A I D approval.

Signed:

(SIGNATURE OF PARTICIPANT)

(DATE)

Witnessed:

(SIGNATURE OF MISSION OFFICIAL)

(TITLE)

PLEASE DO NOT STAPLE THIS FORM (TM 10:98) Atr 14A. Ch 14. HB 10 Form Approved OMB No. 024-R0091

AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INTERNATIONAL TRAINING
Control No 045300

INTERNATIONAL COMMUNICATION AGENCY
ASSOCIATE DIRECTORATE FOR EDUCATIONAL AND CULTURAL AFFAIRS
CERTIFICATE OF ELIGIBILITY FOR EXCHANGE VISITOR (J - 1) STATUS

PART 1 — IT IS HEREBY CERTIFIED THAT:

________ (FAMILY NAME OF EXCHANGE VISITOR) ________ (FIRST NAME) ________ (MIDDLE NAME) ( ) Male ( ) Female

born ____ (Mo.) ____ (Day) ____ (Yr.) in ________ (City) ________ (Country)

a legal permanent resident of ________ (Country) ____ (Code), whose position in

that country is ________ ____ (Pos Code)

U.S. address

THE PURPOSE OF THIS FORM IS TO

1 ( ) Begin a new program

2 ( ) Extend an on going program

3 ( ) Transfer to a different program

4 ( ) Replace a lost form

5 ( ) Permit visitor's immediate family to enter U.S. separately.

2. which will be sponsored by the AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. INTERNATIONAL DEVELOPMENT COOPERATION AGENCY to participate in the EXCHANGE VISITOR PROGRAM NO. G-2-0263 which is still valid and is officially described as follows:

A program of the Agency for International Development, U.S. International Development Cooperation Agency to bring participants to the United States for training, academic study, observation or consultation in keeping with the objectives of human resource development as contained in the Foreign Assistance Act of 1961 as amended.

PIO/P No. ________ DTS No. ________ Contractor ________

3. This form covers the period from ____ (Mo.) ____ (Day) ____ (Yr.) to ____ (Mo.) ____ (Day) ____ (Yr.) (one year maximum.) Passport No. ________.

If this form is for family travel or replaces a lost form, the expiration date on the exchange visitor's I-94 is ________.

4. The category of this visitor is 1 ( ) Student, 2 ( ) Trainee, 3 ( ) Teacher, 4 ( ) Professor, 5 ( ) Research Scholar or Specialist, 6 ( ) International Visitor, 7 ( ) Professional Trainee, and the specific educational field or non-study activity to be engaged in is de No. ________ (Subj/Field Code), verbally described as follows:

5. During the period covered by this form, it is estimated that the following financial support (in U.S. $) will be provided to this exchange visitor by:

a. ( ) The Program Sponsor in item 2 above $ ________.

Financial support from organizations other than the sponsor will be provided by one or more of the following:

b1. ( ) U.S. Government Agency(ies): ________ (Agency Code), $ ________ b2 ________ (Agency Code), $ ________

c1. ( ) International Organization(s): ________ (Int. Org. Code), $ ________ c2 ________ (Int. Org. Code), $ ________

d. ( ) The Exchange Visitor's Government $ ________.

e. ( ) The binational Commission of the visitor's Country $ ________.

f. ( ) All other organizations providing support $ ________.

g. ( ) Personal funds $ ________.

(If necessary, use above spaces for funding by multiple U.S. Agencies or Intl. Organizations)

6. I.N.S. USE

7. ________ (Name of Official Preparing Form) ________ (Title)

________ (Address)

________ (Signature of Responsible Officer or Alternate R.O.) ________ (Date)

PART II – ENDORSEMENT OF CONSULAR OR IMMIGRATION OFFICER REGARDING SECTION 212(e) OF THE I.N.A.

No endorsement of Consular or Immigration Officer regarding Sec. 212(e) of the Immigration and Naturalization Act is necessary because . . .

ALL AID PARTICIPANTS ARE SUBJECT TO
THE TWO YEAR RESIDENCE REQUIREMENT

Keypunch Information Col 138=1
Col 139=1
Col 140=1

PART III – STATEMENT OF RESPONSIBLE OFFICER FOR RELEASING SPONSOR (FOR TRANSFER OF PROGRAM)

Date ________. Transfer of this exchange visitor from program No. ________ sponsored by ________

to the program specified in item (2) is necessary or highly desirable and is in conformity with the objectives of the Mutual Educational and Cultural Exchange Act of 1961.

________ (Signature of Officer) ________ (Date)

IAP 66A (9-79) Page 1

Copy 1-For Immigration and Naturalization Service

PROSTHESES FOR EL SALVADORAN CIVILIAN AMPUTEES

Senator INOUYE. You mentioned Senator Kasten. I just wanted to advise that although I remained silent, this committee is interested in the prosthetic appliance problem in El Salvador. So we expect a report.

Mr. INK. We have been made very much aware that this interest is very keen on the part of Senator Kasten but not limited to Senator Kasten.

Senator INOUYE. That is for certain.

FUNDING FOR CGIARS

Mr. Bissell, in my opening remarks I indicated that of the functional amount, $1,145,950,000, 34 percent is for centrally-funded activities here. How was it 5 years ago? What was the ratio then?

Mr. BISSELL. I honestly do not have that figure. I can get it for the record.

Senator INOUYE. Would you say the ratio was 80/20 or 50/50?

Mr. BISSELL. My people say it is probably about the same.

Senator INOUYE. I would like to see that.

Mr. BISSELL. I will certainly provide that.

[The information follows:]

FUNDING FOR REGIONAL BUREAU PROGRAMS VERSUS CENTRAL PROGRAMS

The fiscal year 1988 request reflected a total Functional Development Assistance Program [FDAP] of $1,145,950,000 of which $394,610,000 or 34 percent is budgeted for central bureau programs. The FDAP request differs from previous years in that funding of $500 million under the Development Fund for Africa is excluded from the FDAP total. The total funding for FDAP and the Development Fund for Africa is $1,645,950,000, excluding the provision of $12,500,000 for deobligation/reobligation, of which 24 percent is budgeted for central bureau programs.

In fiscal year 1982, total program obligations for the FDAP and Sahel program were $1,396,243,000 of which $346,579,000 or 25 percent pertained to central bureau programs. Thus, the proporational balance between regional bureau program funding and central program funding reflected the fiscal year 1988 request is approximately the same as that in fiscal year 1982.

AUDITING

Senator INOUYE. An audit was conducted by your Auditor General last year, and that audit found that, quote, "A.I.D. has continued funding of international agricultural research centers without the advantage of detailed analysis of the centers' performance and contributions." And the Auditor General concluded, quote, "Funding has increased to $45 million annually, and we found little evidence that crucial factors were considered in setting funding and allocation levels."

Is your request for fiscal year 1988 based upon a detailed analysis of the performance of the international centers?

Mr. BISSELL. Our $40 million request for 1988, which is the same as the funding level in 1987, is based upon the American share of the collaborative funding of these agricultural centers. We have found over the years that they are crucial to the kinds of changes that Mr. Love spoke about in agricultural productivity in Africa and elsewhere. They have developed new agricultural technology and have worked to transfer and disseminate that technology around the world.

So our sense, both from our field missions as well as evaluating them from Washington, is that they have been doing an excellent job.

Senator INOUYE. But you have seen this report, have you not?

Mr. BISSELL. What date is it? I have not actually read that particular report.

Senator INOUYE. I would suggest you do, because it is a very interesting document. They go into great detail. For example, it says here: A.I.D. needs to more effectively manage the publications of the centers. Apparently A.I.D. has jurisdiction over this publication. It continues: publications were an important means of disseminating research results; however, the publications were, first, too technical for use by most A.I.D. agricultural personnel; second, often not translated into Spanish and French; and third, not well distributed. As a result, many of these documents remain unused, and the benefit of A.I.D.'s investment was significantly reduced.

Mr. BISSELL. Two things have occurred in the wake of that specific report. One is that we have gone out to our missions with specific guidance in terms of cooperation with the CGIARS, making them aware of the kind of work the centers are doing. The second is that within the Agency we have changed our distribution system for the reports.

I cannot tell you exactly what progress has been made since that change in the distribution system. I can certainly check into it and get back to you.

Our sense of the key areas of the report led us to decide that we should put our effort into making their work more relevant.

Senator INOUYE. These questions I ask not to irritate you or to be nitpicking but in anticipation of what some of those in Congress would be asking those who are not especially friendly with foreign assistance programs. We are hoping that by the time we reach the floor, these concerns will have been addressed. I hope you will do so.

Mr. BISSELL. Of course.

Senator INOUYE. You have followed the debates, I am certain, on the proceedings. These are the little nitpickers that surface.

Mr. BISSELL. I understand.

Senator INOUYE. So we are just trying to put them on the record so that you can come up and say well, we did that already. I am on your side, believe me.

Mr. BISSELL. We are appreciative of that.

PRIVATE VOLUNTARY ORGANIZATIONS [PVO'S]

Senator INOUYE. Are you satisfied with the work of PVOs?

Mr. BISSELL. That is a difficult question. The PVOs vary tremendously. Overall, we consider them a very valuable ally in carrying out development activities. The percentage of our work which has been going through PVOs has been growing in recent years, both in terms of activities originating in Washington and those originating in the field. We are well above the statutory target of how much of development assistance should in fact be programmed to PVOs. So in a sense, I would have to say that we consider them very valuable.

But their work ranges across all of the activities of the Agency, and it varies considerably. I think that there are various cases within particular regions that either of my colleagues could address. But generally, we work closely with the PVO's.

Mr. LOVE. Mr. Chairman?

Senator INOUYE. Yes.

Mr. LOVE. In Africa, particularly in the relief effort area during the drought, the PVOs did an absolutely super job. Our ability to work in places like Ethiopia, where we did not trust the governmental system, never would have proceeded as well as it did, both in terms of reaching the target people and with some adequate degree of accountability, had it not been for the efforts of the PVOs. They did an absolutely super job.

When we move from the drought emergency into the long-term development area, then we find in Africa that we have less capability in the PVO community. There are only a few of them that have extensive experience in Africa, unlike in Latin America and Asia. We believe we have a long-term building job to help them get acquainted with Africa and to figure out what sectors they want to work in.

We think they are indispensable over the long run, but they do not have the regional knowledge and expertise in Africa that they do elsewhere in the world.

I would distinguish between the two. During the drought, we could never have done without them.

Mr. INK. In Latin America, they have been very useful. As Mr. Love indicated, they have developed over the years a greater knowledge and familiarity, on the most part, of the territory and the people.

They are particularly useful in their ability to reach out in the communities in a way that is very difficult through many of the governments. One, we do not have the layers and the bureaucracy to be concerned about. Second, they are used to working with people at the local level, at the community level. So consequently, they are very effective.

As was indicated earlier, and as would be expected, they do vary a good deal in their capabilities, but I think that is obvious.

Senator INOUYE. Three years ago, A.I.D. issued a report called Voluntary Foreign Aid Programs. This was widely shared and read by members of the subcommittee. It is a very interesting one. It describes all of the PVOs that A.I.D. worked with and also had interesting statistics on percentage of funds received from non-U.S. Government sources in support of these programs. Then all of a sudden this pamphlet stopped.

Can you supply us, not in this slick form, reports similar to this? If you look at this, it is fascinating.

Mr. BISSELL. We can certainly see what kind of data we can provide that would be in a similar form.

Senator INOUYE. This is one of the finest reports I have seen on PVOs. It lists them all in alphabetical order. It would be a good resource material for you. It gives you addresses and telephone numbers and what they do and where they do it. Then in the back it says how much they have spent for certain program costs, how much it costs domestically, how much overseas.

Mr. BISSELL. I am sure its termination was simply a function of our attempt to economize in the publications area. We can make sure that the analagous data, which I think is updated at this point annually anyway, can be provided to you even if it is not in the same kind of colored pamphlet.

Senator INOUYE. You see, we have these volumes here.

Mr. BISSELL. We can break it out from the volumes.

Senator INOUYE. I do not think any Member of Congress is going to read all of this. I hope the staff people read all of this. [Laughter.]

Mr. BISSELL. I am sure they have memorized this book. I understand Richard reads it very carefully.

Senator INOUYE. These things we look over, and it is easy to read. It need not be in this expensive format. But if you can do that, I am certain you can do this in mimeograph form.

Mr. BISSELL. Absolutely.

Senator INOUYE. It might help you to, if you look at all of this.

Do you not think this was helpful?

Mr. BOND. Yes, sir.

Senator INOUYE. When Jim Bond says it was helpful, it was very helpful. [Laughter.]

[The information follows:]

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

March 20, 1987

The Honorable Daniel K. Inouye
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In response to your request of Richard Bissell during the hearing yesterday, I am pleased to provide copies of the A.I.D. publication entitled "Voluntary Foreign Aid Programs, 1985."

This document covers the most recent year (1985) for which the private and voluntary organizations have provided us with complete data.

If we can be of further assistance, please let me know.

Sincerely,

Kelly C. Kammerer

Kelly C. Kammerer
Director
Office of Legislative Affairs

Enclosures: as stated

Voluntary Foreign Aid Programs

Report of American Voluntary Agencies Engaged in Overseas Relief and Development Registered with the Agency for International Development

M. Peter McPherson
Administrator
Agency for International Development

Julia Chang Bloch
Assistant Administrator
Bureau for Food for Peace and Voluntary Assistance

Overview of U.S. Voluntary Agencies' Activities

The Agency for International Development (A.I.D.) recognizes the significant role that Private and Voluntary Organizations (PVOs) play in Third World relief and development. Although the PVOs registered with A.I.D. vary tremendously in size, scope, and capability, they share a strong commitment to improving the quality of life of people in less developed countries.

In recent years the hallmark of PVO efforts has been the shifting in emphasis from conducting short-range relief projects to planning and implementing long-term programs geared toward eliminating the underlying causes of world hunger and poverty. While continuing to be responsive to immediate human needs, particularly in emergency situations, many PVOs are now contributing their valuable resources to activities which A.I.D. considers crucial to improving conditions in the Third World: building institutions, transferring appropriate technology, and encouraging investment in private enterprise. These comprise the major principles upon which A.I.D.'s development assistance program is based and upon which A.I.D.'s partnership with PVOs is focused.

This partnership can take several forms. First, PVOs act as independent agents, conducting their own programs with A.I.D.'s support. They can also act as intermediaries for A.I.D., specifically where A.I.D. strategies and PVO project objectives coincide in developing countries. While each type of partnership is different, all joint A.I.D.-PVO projects recognize the independent, voluntary nature of PVOs. In line with Congressional legislation, PVOs must now obtain at least 20% of their annual financial resources for their international programs from non-U.S. Government sources in order to be eligible for A.I.D. funding.

Whatever the terms of the relationship, PVOs make an important contribution to the foreign assistance programs conducted by A.I.D. By joining forces and complementing each other's capabilities and scope, A.I.D. and PVOs can accomplish more than either could alone; A.I.D. is committed to strengthening that partnership. The economic impact of the PVO programs supported by A.I.D. has been enhanced by placing increased emphasis on program integration; focusing resources on field programs; taking into account the diverse nature and capabilities of PVOs as policy development and grantmaking decisions are made; simplifying and standardizing the PVO administrative relationship with A.I.D. whenever possible; establishing a central point of contact in A.I.D. for PVO information, coordination and dissemination in the Bureau for Food for Peace and Voluntary Assistance, and providing PVOs amply scope for independence in the actual design of project activities, bearing in mind that A.I.D. links the concepts of cost-sharing and program independence in its grant relationships with PVOs.

The following pages describe the general nature of the work being carried out by the PVOs which are registered with A.I.D. Included is such information as a PVO's geographic focus and sectoral concentration, as well as summaries of support, revenue, and expenditures. As of September 30, 1985 there were 170 PVOs registered with A.I.D. They received $1,466 million in private contributions (cash, supplies, and equipment), and the U.S. Government provided them with a total of $1,001 million in the form of grants, contracts, U.S. government-owned excess property, ocean freight subsidies, and P.L.480 donated food.

Register of Voluntary Agencies

Who they are and what they do

The rules governing the registration of nongovernmental, nonprofit agencies engaged in voluntary foreign aid are promulgated in Part 203, Chapter II, Title 22, Code of Federal Regulations. Such aid includes projects and services of development, relief, and rehabilitation to needy nationals and refugees in health, education, welfare, agriculture, industry, emigration, and resettlement. The register consists of the following agencies:

Accion International AITEC

1385 Cambridge Street
Cambridge, Massachusetts 02138
(617) 492-4930

Accion International/AITEC supports the smallest scale economic activities of low-income people through credit, basic management training, and technical assistance programs in Latin America, the Caribbean and the United States. Now in its third decade of development, Accion assists street vendors, micro-business owners, subsistence farmers and other self-employed men and women in gaining access to the skills and resources needed to improve their own economic futures and those of their families.

Accion provides training and consultation to government institutions, private voluntary organizations, banks, community groups, and other private institutions seeking to work with micro-business people. Through a new development education program, the America Dialogue, Accion brings together private and public sector leaders from this hemisphere to discuss key development issues and to explore ways of promoting the economic initiatives of the poor.

Adventist Development and Relief Agency

6840 Eastern Avenue, N.W.
Washington, D.C. 20012
(202) 722-6770

Assists in rehabilitation for the needy through self-help projects. Operates and provides equipment and material aid for programs in education, agriculture, health care, community development and social welfare. Assistance is given to countries in Africa, Asia, Latin America and the Middle East.

African-American Institute

833 United Nations Plaza
New York, New York 10017
(212) 949-5666

Assists and promotes African manpower development through a variety of programs providing long- and short-term academic and technical education for Africans, both in the U.S. and in Africa. Brings African leaders to the U.S. for short-term visits, conferences, etc. Organizes exhibitions of African art. Conducts programs to improve the status of African women. Offers services to American and African traders, bankers, investors and other entrepreneurs. Organizes conferences bringing African and American leaders together to discuss issues of common concern. Provides special attention to informational needs of U.S. media and elected officials. The Institute is supported by contributions from individuals, corporations and philanthropic foundations; endowment income; and U.S. Government contracts for specific training and visitor programs.

African-American Labor Center

1125 15th Street, N.W., Suite 404
Washington, D.C. 20005
(202) 429-0050

The objectives of the Center are to support the development of free, democratic, self-sufficient, responsible and effective trade unions in Africa and to enable trade unions to participate in the process and benefits of economic, social and political development. General assistance in construction, housing and planning, cooperatives, credit unions and loans, education, industrial development and management, and material aid are extended by the Center to most African countries.

African Medical & Research Foundation

420 Lexington Avenue, Suite 556
New York, New York 10170
(212) 986-1835

AMREF provides assistance to governments, international agencies, and NGOs throughout East Africa in nearly 50 different health projects. These are conducted in Kenya, Tanzania, Uganda, Sudan, Ethiopia, Somalia, and Zambia. Programs include primary health care and training of community health workers; training of rural health staff through continuing education, teacher training, and correspondence courses; development, printing, and distribution of training manuals, medical journals, and health education materials; application of behavioral and social sciences to health improvement; airborne support for remote health facilities including surgical, medical, and public health services; ground mobile health services for nomadic pastoralists; medical radio communications; health project development, planning, and evaluation; consultancy services.

African Wildlife Leadership Foundation

1717 Massachusetts Avenue, N.W., Suite 602
Washington, D.C. 20036
(202) 265-8394

Provides funds and resources for the education and training of young Africans in managing and protecting their wildlife. Supports research, conservation education programs and two colleges of wildlife management.

Africare

1601 Connecticut Avenue, N.W., Suite 600
Washington, D.C. 20009
(202) 462-3614

Supports the development of water resources, increased food production, the delivery of basic health services and emergency assistance to refugees in rural Africa. Provides training and technical assistance, as well as start-up supplies and equipment. Has worked in some 22 African nations since establishment. Field offices in Burkina Faso, Chad, Mali, Niger, Rwanda, Senegal, Somalia, Zambia and Zimbabwe.

Aga Khan Foundation, USA

1850 K Street, N.W., Suite 885
Washington, D.C. 20006
(202) 293-2537

The Aga Khan Foundation is a private, non-denominational philanthropic network established by His Highness the Aga Khan, 49th Imam of the Shia Imami Ismaili Muslims. It seeks to promote social development, primarily in low-income countries of Asia and Africa, by funding programs in health, education and rural development. Grantees and beneficiaries are selected without regard to race, religion or political persuasion. AKF USA is affiliated with AKF Geneva, established in Switzerland in 1967. The Network includes branches in Pakistan, the United Kingdom, Kenya, India, Bangladesh and Portugal, as well as an affiliate in Canada.

Agricultural Cooperative Development International (affiliated with the National Council of Farmer Cooperatives)

1012 14th Street, N.W., Suite 600
Washington, D.C. 20005
(202) 638-4661

Provides technical and management assistance to farmer cooperatives and agricultural credit systems serving farmers, with the aim of improving such agrobusiness operations and thereby increasing farmer income. Areas of activity include Africa, Asia, Latin America/Caribbean and the Near East.

Aid to Artisans, Inc.

80 Mountain Spring Road
Farmington, Connecticut 06032
(203) 677-1649

ATA's purpose is the promotion, improvement and expansion of handicraft output of disadvantaged artisans in developing societies via the provision of assistance and support in the areas of marketing, quality control standards, financing and related areas.

America-Mideast Educational & Training Services (AMIDEAST)

1717 Massachusetts Avenue, N.W., Suite 100
Washington, D.C. 20036
(202) 797-7900

Administers exchange, grant and scholarship programs for agencies of the US and other governments, as well as for corporations and other institutions. Provides student counseling and placement for teachers and consultants for Middle Eastern and North African universities, as well as to meet national manpower development, vocational training and legal development needs. Processes applications and coordinates test administration of "Test of English as a Foreign Language" (TOEFL). Conducts research and distributes numerous publications related both to human resource development in the Middle East and North Africa, and to opportunities available to Middle Eastern and North African students for study in the U.S.

American Association for Bikur Cholim Hospital, Jerusalem

119 Fifth Avenue
New York, New York 10003
(212) 260-4260

Supports the medical programs of the Bikur Cholim Hospital in Jerusalem. Through the efforts of over 60,000 supporters, the organization sponsors a wide variety of activities of the Bikur Cholim Hospital medical program, including purchasing of needed equipment from the U.S. or from Israel.

American Committee for Shaare Zedek Hospital in Jerusalem

49 West 45th Street
New York, New York 10036
(212) 354-8801

Supports and maintains a program of preventive, diagnostic and curative medical services in Jerusalem. Operates hospital, outpatient clinics and nurse training school and assists programs in home care for the rehabilitation of patients and for the elderly. Affiliated with the Albert Einstein College of Medicine

American Dentists for Foreign Service

619 Church Avenue
Brooklyn, New York, 11218
(718) 436-8686

Ships used dental equipment to clinics and hospitals in the developing world, including complete dental clinics, chairs, sterilizers, instruments and x-ray machines. ADFS arranges for shipment to U.S. port of departure and cost of shipment from U.S. is paid by recipient. ADFS also provides overseas universities with short-term U.S. teachers and dentists for servicing clinics. Assists foreign dental students to obtain entrance into U.S. dental schools and helps provide instruments and supplies to those studying in the U.S. Topical Fluoride programs and teachers offered where central water supply is not available for reducing dental caries.

American Friends of Kiryat Sanz Hospital

18 West 45th Street, Room 1619
New York, New York 10036
(212) 944-2690

Supports Laniado Hospital, Kiryat Sanz, in the Netanya region of Israel. The hospital contains departments of internal medicine, maternity and radiology as well as an outpatient clinic, intensive care unit, 24 hour emergency room, laboratory and pharmacy. It is the only hospital in the Netanya region, a region which has a population of over 100,000.

American Friends Service Committee

1501 Cherry Street
Philadelphia, Pennsylvania 19102
(215) 241-7000

Provides emergency relief and refugee assistance in addition to development assistance for countries in Africa, Asia, Latin America and the Middle East. Service and development programs include activity centers for preschool age children, training for community workers, self-help housing and sewage projects, food production and agriculture, feeding programs, nutrition and health education.

American Institute for Free Labor Development
1015 20th Street, N.W.
Washington, D.C. 20036
(202) 659-6300

Assists labor movements in Latin America and the Caribbean by providing leadership and technical seminars, regional and resident courses, advanced training courses in the United States, and foreign visitor programs. Social projects include housing, community development, provision of disaster relief supplies, assistance to cooperatives, and technical advice relating to land reform.

American Jewish Joint Distribution Committee
60 East 42nd Street, Suite 1914
New York, New York 10165
(212) 687-6200

Operates a broad range of health, welfare and education programs in the Middle East, Europe, Asia, North Africa and Latin America. Services of AJJDC include care of the aged and handicapped, services for children, distribution of relief supplies, and community development.

American Leprosy Missions
One Broadway
Elmwood, New Jersey 07407
(201) 794-8650

Supports leprosaria and leprosy control programs in Africa, Asia and Latin America by providing funds for buildings, outpatient and mobile clinics, food, clothing, medicines and equipment and specialized training for medical personnel; encourages local organizations and governments to establish and maintain leprosy control programs.

American National Red Cross
17th and D Streets, N.W.
Washington, D.C. 20006
(202) 737-8300

Although not a registered voluntary organization, the American National Red Cross has a Congressional charter and, by statutory authority, participates in the benefits of registration. Works closely with the International Committee of the Red Cross and the League of Red Cross Societies in meeting emergency needs of disaster victims and refugees in other countries. Cash, medical supplies, food, clothing and sometimes personnel are sent to assist in these relief projects. Sends blood fractions and gives technical assistance to foreign Red Cross Societies in disaster relief, nursing, health education and other traditional Red Cross programs.

American Near East Refugee Aid
1522 K Street, N.W. #202
Washington, D.C. 20005
(202) 347-2558

Provides direct financial assistance, gifts-in-kind and other basic human requirements to Palestinian refugees and other needy individuals in the Arab world and informs the American people about the Palestine refugee problem. Supports economic and social development through aid to education, vocational training, and municipal and agricultural cooperative projects. Areas of activity include Egypt, Jordan, Lebanon, Syria, West Bank and Gaza Strip.

American ORT Federation
2025 Eye Street, N.W.
Washington, D.C. 20037
(202) 293-2560

Operates a network of technical and vocational education institutions including vocational high schools, teacher training institutes, and technical colleges in approximately 25 countries around the world. While primary emphasis is on providing a comprehensive education to Jewish youth, ORT has established formal and non-formal education programs in LDC's for the training of skilled workers, technicians and teachers.

American Red Magen David for Israel
888 Seventh Avenue, Suite 403
New York, New York 10106
(212) 757-1627

Supports Magen David Adom (MDA), (Israel's Red Cross Service as well as Israel's Emergency Medical, Blood Ambulance and Disaster Service) through provision of funds, ambulances, medical supplies and laboratory equipment; support to blood bank, fractionation center, and first-aid training programs; raising of funds to build new facilities; and provision of training and equipment for emergency medical personnel.

American Schools of Oriental Research
4243 Spruce Street
Philadelphia, Pennsylvania 19104
(215) 222-4643

ASOR is a consortium of colleges, universities, seminaries, and museums whose purpose is to promote ancient Near Eastern studies. In addition to having 140 member institutions, it has institutes in Jordan, Israel and Cyprus and it actively conducts research programs in Syria, Tunisia and Egypt. Among various development assistance projects in Jordan, ASOR has been responsible for providing archeological surveys prior to construction of dams and schools.

Americares Foundation, Inc.
51 Locust Avenue
New Canaan, Connecticut 06840
(203) 966-5195

AFI's purpose is to provide aid to refugees, the needy and indigent children throughout the world; including food, shelter, clothing, medical care, transportation, education and aid in relocation and resettlement. It operates on an as needed, crisis basis recruiting volunteers via newspaper advertising, dial-a-thons and other means. Eligibility for assistance is determined by volunteer teams and arrangements are made with reliable local agencies to handle distribution of commodities.

America's Development Foundation

600 South Lee Street
Alexandria, Virginia 22314
(703) 836-2717

The Foundation's program activities include two major projects designed to stimulate and accelerate livestock and fisheries development. Emphasis is given to the international transfer of appropriate technologies and the development of institutional self-help capabilities to increase food production to better serve growing population needs. The Foundation also operates a special material resources program to support the needs of its program activities and that of other private and public sector organizations. Programs are carried out in the Americas, Africa and Asia.

Amigos de las Americas

5618 Star Lane
Houston, Texas 77057
(713) 782-5290

Through Amigos, volunteers provide public health assistance in the Caribbean, Central and South America. Since its founding in 1965, volunteers have performed health services including animal health, community sanitation, dental hygiene, immunization, eyeglass distribution, and well digging.

AMIT Women

817 Broadway
New York, New York 10003
(212) 477-4720

Operates, in Israel, preschool and adult education programs, settlement houses, community centers, nurseries, and secondary schools stressing vocational education and industrial training. Emphasis is on providing child care, social welfare and educational programs.

Armenian General Benevolent Union Central Committee of America

585 Saddle River Road
Saddle Brock, New Jersey 07662
(201) 797-7600

Works for the relief and general welfare of poor and needy Armenians and other people. Programs are conducted in North and South America, Europe, and the Middle East and include grants and scholarships to schools AGBU maintains, Armenian language classes, cultural and educational institutions, youth associations, dispensaries, and social welfare assistance.

The Asia Foundation

550 Kearny Street
P.O. Box 3223
San Francisco, California 94119
(415) 982-4640

Works with Asian organizations, institutions and individuals dedicated to furthering social and economic progress within their societies. Conducts programs in 21 countries in Asia and the Pacific and has offices in 10 Asian countries. Provides small grant assistance in the following broad fields: Education and Human Resource Development; Law and Judicial Administration; Public Administration and Civil Service Training; International Relations Studies Programs; Communicatioins, Publications and Library Development; Private Community Development Programs; Business Administration, Management and Private Entrepreneurship.

Asian-American Free Labor Institute

1125 15th Street, N.W., Room 401
Washington, D. C. 20005
(202) 737-3000

The institute assists in the development of free and effective trade unions in the Middle East, Asia and the Pacific as viable institutions capable of playing a role in the development of national economies. The programs of assistance sponsor union-to-union aid to trade union organizations in the fields of worker education and social projects such as communications, community development, cooperative and education projects.

Simon Bolivar Foundation

c/o General Foods
230 Park Ave., Room 860
New York, New York 10169
(212) 490-2237

Supports the programs of Accion Cultural Popular (ACPO) in Colombia and Association Cultural para el Desarrollo (ACUDE) in Venezuela. ACPO is a private non-profit organization which provides basic education for human and social development through a system of print and broadcast mass media. ACUDE, formed by the private sector, finances the experimentation and design of the educational materials to be used in ACUDE's national literacy campaign. This campaign, launched in 1980, combines the resources of the private sector, the Government of Venezuela, and the mass media.

Boys' Clubs of America

771 First Avenue
New York, New York 10017
(212) 557-7755

Boys' Clubs of America was founded in 1906 to promote the health, social, vocational, educational, and character development of urban youth throughout the U.S. The organization is a pillar member of the International Federation of Keystone Youth Organizations whose objective is the building of world-wide linkages among young people through voluntary organizations and whose focus is to provide developmental experiences for youth. The Federation's interest now is to help developing countries initiate youth service programs in urban areas.

Brother's Brother Foundation

824 Grandview Avenue
P.O. Box 6067
Pittsburgh, Pennsylvania 15211
(412) 431-1600

Promotes preventive medicine through mass immunization, control of epidemic diseases and specialized graduate education. Provides medical care and emergency relief to disaster areas. Supplies medical equipment and provides technical training in public health and hospital management. Assistance is provided to Africa, Asia, Latin America and the Middle East.

Pearl S. Buck Foundation

Green Hills Farm, Bucks County
Perkasie, Pennsylvania 18944-0181
(800) 523-5328

Operates sponsorship programs for Amerasian children in Korea, Thailand, the Philippines, Okinawa, Japan, and Taiwan. Development assistance programs are provided chiefly in Thailand and the Philippines. Other assistance is given in the areas of education, medicine and public health, and social welfare in all above areas, as well as India. The Foundation also provides key liaison service to the ODP program by escorting children from Saigon to Bangkok on a monthly basis, which service is specific to Vietnam.

Paul Carlson Medical Program

3305 West Foster Avenue
Chicago, Illinois 60625
(312) 539-5181

Provides assistance in Zaire in the areas of agriculture, material aid and health care. Programs include a medical center, maternal/child health care and nutrition education, provision of food and agricultural equipment, and a 5,000 acre farm which conducts research on high-protein plants and provides food for medical center patients and staff as well as agricultural education and extension services.

Catholic Relief Services—USCC

1011 First Avenue
New York, New York 10022
(212) 838-4700

CRS is the official overseas aid and development agency of the United States Catholic Conference, operating relief, welfare and self-help development programs in 77 countries in areas including community development, housing, education, agriculture, health care, industrial development and social welfare. Emphasis is placed on the distribution of relief supplies such as food, clothing, etc. to meet immediate emergency and disaster needs and on sponsorship of development projects to remove the causes of those needs.

Center for Applied Linguistics

3520 Prospect Street, N.W.
Washington, D.C. 20007
(202) 298-9292

Conducts surveys for language planning use; provides technical assistance, planning and evaluation services to public and private institutions; conducts training programs for language teachers and administrators; serves as a clearinghouse for language information; and provides practical information on language and language education.

The Centre for Development and Population Activities

1717 Massachusetts Avenue, N.W., Suite 202
Washington, D.C. 20036
(202) 667-1142

Seeks to improve managerial and technical capabilities of family planning, health and development professionals from developing countries through training, technical assistance and organizational development. Topics such as management by objectives, planning, implementing, monitoring, supervision and evaluation form the core content of the training programs. CEDPA also offers an innovative women-in-management program which seeks to provide alternative career choices for women. As follow-up to its Washington-based management training, CEDPA staff and alumni conduct in-country training for women managers, establish CEDPA overseas affiliates called "Follow-Up Units" and through Units award subgrants to community-based projects in nutrition, health, family planning and income-generating activities.

Chol-Chol Foundation for Human Development

P.O. Box 5665, Friendship Station
Washington, D.C. 20016
(202) 525-8844

Assists community development, cooperative and credit union development, and nutritional programs among poor third world farmers and women. Activities include assistance in formation and operation of agricultural cooperatives, teaching practical farming skills, establishing revolving loan funds for farm equipment, seed and animals, formation of crop and animal insurance programs, school gardening programs, the initiation and implementation of forestation programs and leadership training programs.

Christian Children's Fund

P.O. Box 26511
Richmond, Virginia 23261
(804) 644-4654

More than 370,000 children in 20 countries receive monthly support from individual sponsors. Sponsor assistance is provided for the children, their families and their communities. Basic services include community development, housing, health, education, vocational and nutritional training and social welfare. 80% of sponsor assistance is committed to program.

Church World Service

475 Riverside Drive
New York, New York 10115
(212) 870-2061

Sponsors programs of disaster relief and rehabilitation, agriculture, health, education, planned parenthood, cooperatives, housing, social welfare and community development in Africa, Asia, Latin America and the Middle East. Emphasis is on the process of development as it involves local people and institutions through indigenous counterpart agencies and community committees. CWS is the relief and development unit of the National Council of Churches of Christ in the U.S.A., Inc., Division of Overseas Ministries. CROP, the Community Hunger Appeal of CWS, raises funds for hunger-related programs overseas and in the U.S.

Community Development Foundation

48 Wilton Road
Westport, Connecticut 06880
(203) 226-7271

Provides technical services to governments in structuring and organizing national community development programs and in training, information, reporting and evaluation. CDF is administered by Save the Children Federation.

Community Systems Foundation

1130 Hill Street
Ann Arbor, Michigan 48104
(313) 761-1357

Provides nutrition assistance to countries in Africa, Asia, Latin America and the Middle East. Projects include technical assistance to design national health, nutrition, population and environmental policy and programs, research in the analysis of community-level nutrition interventions, worldwide dissemination of nutrition information and assistance to educational institutions.

Consortium for Community Self-Help
515 Park Avenue
New York, New York 10022
(212) 688-1297

CCSH comprise six private voluntary organizations (United Israel Appeal, Hadassah, American Mizrachi Women, National Committee for Labor Israel, American Jewish Joint Distribution Committee and Pioneer Women). It serves as a partner in planning, implementing and evaluating self-help development projects in areas including health, training, agriculture, community development and education, and will support joint development efforts among member agencies and other organizations.

Cooperative for American Relief Everywhere (CARE)
660 First Avenue
New York, New York 10016
(212) 686-3110

Conducts relief and development programs in 37 countries in Asia, Africa, Latin America and the Middle East. Programs are carried out under three-way partnership contracts among CARE, private or national government agencies and the local community in the areas of community development, housing, cooperatives and credit unions, agriculture and health care.

Cooperative Housing Foundation
2501 M Street, N.W., Suite 450
Washington, D.C. 20037
(202) 887-0700

Assists local government agencies and private non-profit cooperative associations and development organizations in the planning, development, implementation and administration of shelter, community improvement and employment generation programs for poor urban and rural families in developing countries.

Cooperative League Fund
1828 L Street, N.W., Suite 1100
Washington, D.C. 20036
(202) 872-0550

In India it provides technical assistance to cooperatives in planning, establishing and operating oilseeds processing plants; technical and financial assistance for executive and technical training and regional dairy project which will supply milk to India's four largest cities; and assistance to Indian cooperatives in management and training. Cooperative training is provided in the U.S. for LDC personnel through the A. J. Smaby International Scholarship Fund and the Cooperative Education and Training, Inc. in Madison, Wisconsin.

Cooperative League of the USA
1828 L Street, N.W., Suite 1100
Washington, D.C. 20036
(202) 872-0550

CLUSA, a national federation of U.S. cooperatives, performs feasibility studies, organizational and management analyses of cooperative programs overseas, and provides technical assistance to cooperative organizations and to governments in their plans to create viable cooperative systems to serve rural people. CLUSA provides program planning, implementation and evaluation assistance to more than 50 developing nations. Its cooperative related programs include agricultural credit and finance; agricultural production, processing, storage and marketing; farm supplies and equipment; fisheries; management training and cooperative education programs; rural industries; and financial planning management, budgeting and administration.

Coordination in Development (CODEL)
475 Riverside Drive, Room 1842
New York, New York 10115
(212) 870-3000

CODEL, an ecumenical consortium, encourages collaboration in the development activities of member agencies in Africa, Asia and the Pacific, and Latin America and the Caribbean. Member-sponsored projects in more than 45 countries work for community development, agriculture and health care, communication, economic and development planning. Intrinsic to project planning is preservation of the environment in developing countries. A seminar program and educational outreach at home focus on the needs of disadvantaged peoples overseas.

Council of International Programs for Youth Leaders and Social Workers
1030 Euclid Avenue, Suite 410
Cleveland, Ohio 44115
(216) 861-5478

The objective of the council is to conduct a cultural and educational exchange and training program for social service professionals, youth leaders and special teachers in cooperation with the Associate Directorate for Educational and Cultural Affairs, International Communication Agency. Participants are selected from Africa, East Asia and Pacific, Latin America, Near East-South Asia.

Credit Union National Association
5700 Mineral Point Road, Box 431
Madison, Wisconsin 53701
(608) 231-4400

Serves as a technical support element for the organization and strengthening of credit union institutions at local, national and regional levels. CUNA works closely with the World Council of Credit Unions, USAID, international development agencies, cooperative organizations and host country governments in Africa, Asia, Latin America and the Caribbean.

Dental Health International
847 South Milledge Avenue
Athens, Georgia 30605
(404) 546-1715

Operates portable dental clinics within mission hospitals and outpatient clinics, provides preventive dental hygiene programs in schools, and conducts research in nutrition and water content and their relationship to dental health. Assistance is provided to clinics in Africa, Asia, and Central America.

Direct Relief International
P.O. Box 30820
Santa Barbara, California 93130
(805) 687-3694

Receives and donates pharmaceuticals, medical supplies and equipment. Recruits, screens and arranges overseas assignments for volunteer doctors, dentists, nurses, medical auxiliaries and related personnel. Assistance is given to countries in Africa, Asia, Latin America and the Middle East.

Domestic/Foreign Missionary Society for the Protestant Episcopal Church in the U.S.A.
815 Second Avenue
New York, New York 10017
(212) 867-8400

Provides through its Overseas Development Office, development assistance to countries in Africa, Asia, and Latin America in areas of community development, housing, education, agriculture, small industry development, health care and social welfare. The Presiding Bishop's Fund for World Relief is the Episcopal Church's official channel for providing relief and rehabilitation assistance in times of catastrophe. Disaster relief assistance may include grants for food, potable water, medicines, temporary shelter and clothing.

Thomas A. Dooley Foundation/ Intermed—USA
420 Lexington Avenue, Suite 2428
New York, New York 10170
(212) 687-3620

Provides equipment, supplies, personnel and financial support for the improvement of the health services of developing countries in Asia with emphasis on self-help through training and education. Ships clothing to refugees and victims of disaster on a one-time basis.

Tom Dooley Heritage
P.O. Box 1907, Grand Central Station
New York, New York 10017
(212) 687-6200

Provides medicines, equipment, personnel and financial support for the improvement of health services in Thailand. Sends relief supplies, initiates self-help projects, operates mobile clinics and trains local people in nursing and laboratory skills.

El Congreso Nacional de Asuntos Colegiales (CONAC)
2717 Ontario Road, N.W.
Washington, D.C. 20009
(202) 387-3300

CONAC is committed to the development of the Hispanic population in the U.S. and to the resolution of education for planning development issues and programs in other countries. CONAC's goal is to offer expanded educational service capability by using appropriate technology and an analytical approach. It has cooperated with various ministries of education in foreign countries providing services in the areas of model curriculum development and teacher training at the elementary, secondary and college levels.

Elwyn Institutes
Elwyn, Pennsylvania 19063
(215) 358-6400

Elwyn Institutes is a special education and rehabilitation facility serving mentally handicapped people. Self-sufficiency is promoted through the provision of special education, vocational training and medical rehabilitation services. Currently, the Institute operates two residential and day care facilities for the handicapped in Israel.

Esperanca, Inc.
1911 West Earll Drive
Phoenix, Arizona 85015
(602) 252-7772

Collaborates with host governments and other international development agencies in providing health programs to less developed countries. The largest project is in the Amazon Region of Brazil, in the State of Para. Volunteer American doctors, nurses, and dentists are sent several times per year for short-term rotations. Public health programs are carried out in the nearby villages constantly. The training component has several layers, including medical and nursing students, and village-level rural health aides. Newer projects in Bolivia and Mexico are smaller (no surgical/medical component). They emphasize health education and integrated development.

Experiment in International Living
13 Kipling Road
Brattleboro, Vermont 05301
(802) 257-7751

Operates international exchange programs for U.S. and foreign nationals world-wide, emphasizing study, languages and cross-cultural interaction. Carries out participant training in the U.S. and third world countries for USAID, and management training programs in Somalia and the Sudan. Has conducted ESL, Cultural Orientation and Pre-Employment Skills training for refugees in Southeast Asia since 1979-80. Works in vocational training and community development projects in Uganda. EIL's School for International Training provides academic and training programs at both the grduate and undergraduate levels to prepare U.S. and foreign nationals for careers in development assistance with private voluntary organizations.

Eye Bank International
The Eye Bank Building
505 Park Avenue
Baltimore, Maryland 21201
(301) 752-2020

EBI, with eight U.S. affiliates, is the largest eye bank in the world. The organization's primary objective is the creation of an international network of independently operated, cooperatively affiliated and financially stable eye banks. This network will play a significant part in reducing operable corneal blindness. EBI helps existing eye banks, or qualified groups forming eye banks, to reach their full potential by providing technical training, implementing quality controls, installing modern equipment and introducing standard operating procedures. Sight restoring corneas are now sent regularly to Argentina, Brazil, Canada, Colombia, England, Greece, India, Israel, Japan, Mexico, Peru and Saudi Arabia. In addition, EBI supports eye disease research projects.

Eye Care, Inc.
523 Eighth Street, S.E., Suite 1
Washington, D. C. 20003
(202) 544-4700

Eye Care, Inc. was created "to serve the visually neglected wherever they appear," with an emphasis on fully integrated ophthalmic procedures. The first target country has been Haiti where a program, national in scope, has been established. A network of nine clinics serving over 50,000 patients a year across the most remote areas of the country has been built, equipped and staffed in the past six years. Curative aspects of eye care are handled by the professional ophthalmic staff, trained ophthalmic assistants and the rehabilitation program for handicapped women produces marketable items for distribution in the U.S. 96% of the staff of over 100 employees are Haitian. All training is done at the clinic sites for both the medical and managerial staff. Eye Care also has smaller projects in the District of Columbia and troubleshoots as needed in LDCs.

Feed the Children
P.O. Box 36
Oklahoma City, Oklahoma 73101
(405) 942-0228

Feed the Children's main purpose is to provide food, clothing and other services to persons who are refugees or who are being resettled following extreme disasters caused by famine, floods, drought, war and other catastrophies. To date, development assistance abroad has entailed bulk food/clothing shipments to missionaries and churches in Africa, the Caribbean, Central America and Southeast Asia where direct distribution is made to recipients. Additionally, Feed the Children provides financial assistance to orphanages, schools and other charitable organizations in LDCs.

Food for the Hungry
7729 East Greenway Road
Scottsdale, Arizona 85260
(602) 988-3100

Operates integrated rural development projects and food-for-work programs. Helps establish on-going relief and rehabilitation programs and provides emergency aid in disaster situations. Emphasis is on projects related to food production, agriculture, and programs aimed at developing self-reliance. Assistance is provided to countries in Africa, Asia, and Latin America.

Food for the Poor
1301 West Copans Road
Pompano Beach, Florida 33064
(305) 975-0000

Food for the Poor initiates, sustains and otherwise supports non-sectarian humanitarian and developmental assistance programs in the Caribbean, principally Jamaica and Haiti. Programs are carried out through the provision of food and clothing, medical attention, social development and development of economic self-sufficiency.

Foster Parents Plan
155 Plan Way
P.O. Box 400
Warwick, Rhode Island 02887
(401) 738-5600

Helps needy children and their families in Africa, Asia, and Latin America through health and educational services and economic assistance. Additional self-help projects provide improved food production, better sanitation, and other community-wide improvements to benefit children on a lasting basis. Funds are generated through a sponsorship program, contributions and special grants.

Foundation for the Peoples of the South Pacific
212 West Park Avenue
Long Beach, New York 11561
(516) 432-3563

Provides training and technical assistance for self-help community development groups and cooperatives and financial assistance for self-help projects, mainly in small business development, fisheries, agriculture and women's programs in Papua New Guinea, Fiji and other nations of the Pacific Basin. Also supports local institutionalization in the Pacific.

Friends of Children
14 Brookside Road
Darien, Connecticut 06820
(203) 655-2218

Provides financial and material assistance to orphanages, pediatric facilities, vocational schools, handicap facilities and other welfare programs administering to the needs of children. Through a subsidiary adoption agency, works with American families seeking to adopt children from abroad and in the United States. Assistance is provided to countries in Asia and Latin America.

Friends of Shanta Bhawan
c/o Trinity Lutheran Church
2317 Buena Vista Avenue
Walnut Creek, California 94596
(415) 935-3360

FSB was established as a support group to build, equip and staff a Christian-based hospital providing medical treatment such as burn care, orthopedics, psychiatry and pediatric surgery to the people of Nepal.

Global Water, Incorporated
2033 M Street, N.W., Suite 300
Washington, D. C. 20036
(202) 466-3528

GWI's purpose is the promotion and encouragement of public interest in rural water supply and sanitation facilities development in the U.S. and the developing countries of the world. Current projects in the Central Africa Republic and in Sri Lanka.

Goodwill Industries of America/ National Office
9200 Wisconsin Avenue, N.W.
Bethesda, Maryland 20814-3896
(202) 530-6500

Provides training and technical assistance to local organizations in the U.S. and 30 other countries, engaged in vocational training and employment programs for disabled youth and adults. Goodwill Industries affiliate organizations are located in Africa, Asia, Europe and Latin America.

Hadassah
The Women's Zionist Organization of America
50 West 58th Street
New York, New York 10019
(212) 355-7900

Supports and maintains a program of preventive, diagnostic and curative medical services in Israel. Operates hospitals, health centers and medical schools and participates in programs in education, social welfare, land reclamation and reforestation. Sponsors programs for youth education and training.

Heifer Project International
P.O. Box 808
Little Rock, Arkansas 72203
(501) 376-6836

Assists farmers to produce more protein food and income by providing them with quality livestock and training in its care, equipment and technical support. Emphasis is on training in good management practices and the development of livestock breeding programs. Livestock shipments are provided to programs in all areas of the world.

HIAS
200 Park Avenue South
New York, New York 10003
(212) 674-6800

Provides a broad program of services for refugees and migrants. At the pre-immigration stage, this covers immigration counseling, visa documentation, representation before governmental and intergovernmental agencies, and transportation. In the country of resettlement, HIAS assists with the reception of the migrants, reunion with families, and the adjustment of status and naturalization of newcomers. Resettlement services provided by cooperating agencies in local communities also include language and citizenship training, vocational guidance, shelter workshops and interest-free loans. HIAS resettles refugees and migrants in the United States, Canada and Western Europe, as well as in the developing world.

High Scope Educational Research Foundation
600 North River Street
Ypsilanti, Michigan 48197
(313) 485-2000

The High Scope Educational Research Foundation is an independent, nonprofit research, development, and training organization with headquarters in Ypsilanti, Michigan. The Foundation's principal goals are to promote the learning and development of children from infancy through adolescence and to support teachers and parents as they help children learn and grow. The Foundation conducts national and international projects in research, program development, professional training, publishing, and public outreach, with funding support from both governmental and private sources.

Holt International Children's Services
P.O. Box 2880
Eugene, Oregon 97402
(503) 687-2202

Provides permanent adoptive families for homeless children. Seeks to prevent institutionalization of children through family counseling and assistance. Provides pregnancy counseling, social and medical services to parents desiring to relinquish children. Provides temporary foster care, medical care, food, shelter and clothing to children in custody. Provides some long term care and therapy for handicapped children. Programs are located in Korea, Thailand, Philippines, India, Peru, Colombia, Brazil, and El Salvador.

Holy Land Christian Mission International
2000 E. Red Bridge Road
Kansas City, Missouri 64131
(816) 942-2000

In Bethlehem, the West Bank and the Gaza Strip: Manages an orphanage that includes a mission school. Operates the Mount of David Crippled Children's and Orthopedic Hospital, a modern 72-bed facility with surgical, inpatient and outpatient services; offers a modern and complete physiotherapy clinic and nurses training in orthopedics; and conducts research in orthopedic surgery and rehabilitation techniques. Administers preschool kindergarten programs for children of Palestinian refugees living in refugee camps, and relief and assistance programs for the elderly. *In Other Areas:* Through child sponsorship, carries out hunger relief, self-help and development programs in Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, India, Kenya, the Philippines and Thailand.

Institute for International Development, Inc.
354 Maple Avenue West
Vienna, Virginia 22180
(703) 281-5040

IIDI's goal is job-creation for the poor. Its resources are applied to establish self-reliant indigenous institutions for small business development which provide poor entrepreneurs with credit and management assistance services for their labor-intensive businesses. IIDI has affiliate programs in twelve countries within Africa, Asia and Latin America.

Institute of Cultural Affairs
4750 North Sheridan Road
Chicago, Illinois 60640
(312) 769-5635

ICA is a research, training and demonstration group concerned with the human factor in world development. Programs conducted in all regions of the world catalyze local self-sufficiency and self-reliance through human resource development. As the organizing sponsor of the International Exposition of Rural Development (IERD), ICA is enabling rural practitioners from over sixty countries to share their field research experience. ICA's demonstration program emphasizes the systems required for large-scale community-based development. The most massive demonstration project is with one thousand nine (1009) villages across the population belt of Kenya.

Institute of International Education
809 United Nations Plaza
New York, New York 10017
(212) 883-8210

IIE annually administers about 200 international education and training programs sponsored by the U.S. and foreign governments, corporations, and foundations. Most are development-related. IIE provides consulting services for project planning, identifies academic and practical training programs appropriate to project objectives, places participants in them, acts as their visa sponsor, provides fiscal management of sponsor funds, and monitors participants' progress through the IIE network of U.S. regional offices (Atlanta, Chicago, Denver, Houston, San Francisco.) Other IIE services include purchasing, recruitment, research, publications, and conferences. IIE overseas offices are located in Barbados, Indonesia, Hong Kong, Mexico, Thailand, and Zimbabwe.

International Agency for Apiculture Development
3201 Huffman Boulevard
Rockford, Illinois 61103
(815) 877-6266

Promotes improved methods of beekeeping in developing countries, particularly in rural areas. IAAD collaborates with U.S. state governments, foreign governments and private agencies in project design and implementation. The organization maintains a data bank on beekeeping, publishes a newsletter as an educational tool and a forum for development beekeepers, and holds educational seminars and workshops.

International Aid, Inc.

1701 West Hickory
Spring Lake, Michigan 49456
(616) 846-7490

The purpose of IAI is to relieve human suffering, worldwide, through charitable giving. The organization acquires donated goods (food, clothing, blankets, drugs, medical supplies, and equipment) and then distributes the supplies to the needy via missionary organizations, clinics, hospitals, refugee camps and other U.S. or local PVOs. Occasionally, technical support (doctors, nurses, carpenters, electricians) is provided on specific projects.

International Alliance for Children, Inc.

23 South Main Street
New Milford, Connecticut 06776
(203) 354-3417

Aids orphaned, abandoned and otherwise needy children in the Philippines and other areas where the need presents itself. Principally by assisting child-care facilities that are currently in existence, IAC carries out in-country services in the Philippines by providing medical and dental assistance, nutritional care, clothing, educational/vocational training-assistance, foster care and in-country and inter-country adoption services.

International Child Care

Box 2645
Toledo, Ohio 43606
(419) 472-7470

ICC's central purpose is to control the tuberculosis epidemic that exists in Haiti, particularly among native children. This objective is accomplished through systematic mass vaccinations, providing medical treatment, personnel training, health education and efforts aimed at strengthening public health services in that country. ICC's main program activity is the operation of the Grace Children's Hospital in Port-au-Prince.

International Educational Development

345 East Fordham Street
Bronx, New York 10458
(212) 865-6103

Assists and encourages collaboration among groups working on development programs at the grassroots level. Through workshops, audio-visual documentation of expertise and solutions, IED acts as a network facilitator and catalyst in exchange of information on proven low-cost development methods, techniques, processes and models. Works in Africa, Asia and Latin America.

International Executive Service Corps

8 Stamford Forum, Box 10005
Stamford, Connecticut 06904
(203) 967-6000

Recruits experienced executives (mainly retired) for short-term assignments abroad as volunteer advisors to locally-owned firms that request managerial or technical assistance. The client firm makes a substantial contribution toward the costs of its project. Assistance has been given to countries in Africa, Asia, Latin America and the Middle East in the areas of agriculture, education and health care administration, transportation, construction and industrial equipment, and textile and apparel manufacturing.

International Eye Foundation

7801 Norfolk Avenue
Bethesda, Maryland 20814
(301) 986-1830

Assistance to ministries of health in the development of programs for the prevention and cure of blindness in Africa, Latin America and the Caribbean, and Asia. Programs focus on the provision of appropriate training for health workers at all levels in primary eye care, blindness prevention and provision of clinical services; the development of training materials; and the assessment of the prevalence and etiology of blindness and potentially blinding eye disease.

International Federation for Family Life Promotion

1511 K Street, N.W., Suite 333
Washington, D.C. 20005
(202) 783-0137

The Federation's purpose is to promote natural methods of fertility regulation through education, research, technical assistance and training. This is accomplished by the Federation's sponsorship of conferences, meetings and workshops, along with the publication of issues papers related to human reproduction. There are approximately 24,000 members representing over 50 countries.

International Human Assistance Programs

360 Park Avenue South
New York, New York 10010
(212) 684-6804

Designs and supports development projects in Asia and Africa in the areas of community development, agriculture, health care, population services, skills training, small business enterprise and rehabilitation of the disabled. Emphasis is on projects which involve the beneficiaries in decision-making and become economically sustainable in the local economies in which they function.

International Institute of Rural Reconstruction

1775 Broadway, Suite 619
New York, New York 10019
(212) 245-2680

Based in the Philippines, IIRR conducts leadership training, field operation, applied research and international extension. It has trained rural development directors, administrators, supervisors and specialists from Asia, Africa and Latin America. It also cooperates with autonomous National Rural Reconstruction Movements in the Philippines, Thailand, India, Guatemala, Colombia and Ghana. Its action research is undertaken in IIRR's social laboratory in Cavite province, the Philippines, and deals with major areas of rural reconstruction. IIRR also publishes monographs, books and an annual journal about its research projects and those of its affiliates.

International Lifeline, Incorporated
4520 N.W. 36th Street
Oklahoma City, Oklahoma 73123
(405) 728-2828

ILI's purpose is to conduct Christian ministries in the international community in the areas of both relief and long-term rehabilitation. ILI's primary activity is the distribution of in-kind contributions.

International Nursing Service Association
P.O. Box 15086
Atlanta, Georgia 30333
(404) 634-5748

INSA is a private non-profit organization with health care graduates in 39 developing countries. INSA's primary goals are to: (a) promote and conduct continuing education programs on international health issues and skills for health and development professionals and community health workers practicing in developing countries; (b) improve and expand international health development through the people who participate in INSA's educational programs; and (c) inform Americans about international health and development issues and approaches through development education.

International Planned Parenthood Federation, Western Hemisphere
105 Madison Avenue
New York, New York 10016
(212) 679-2230

IPPF/WHR is a private, not-for-profit organization incorporated in the State of New York since 1954. It is a federation of 45 autonomous family planning associations from almost every country of the Americas and the Caribbean. The purposes of its development assistance are to advance family planning information and services in the interest of responsible parenthood, family welfare, community well-being and international good will, and to increase the understanding by peoples and governments of the demographic problems of their own communities and of the world. In pursuing these purposes, IPF/WHR supports projects designed to provide voluntary family planning services, information, education, communication, training, evaluation, fundraising, management and administration.*

International Program for Human Resource Development, Inc.
7720 Wisconsin Avenue
Bethesda, Maryland 20014
(301) 656-1200

Establishes integrated job training and educational programs at the grassroots level through employment oriented self-help projects; to help participants gain economic and social mobility; and to assist the growth of a total educational system based on the development of the whole community rather than individuals. Countries selected to receive this assistance are in Asia.

International Rescue Committee
386 Park Avenue South
New York, New York 10016
(212) 679-0010

Assists refugees and the displaced victims of war. IRC's services range from emergency relief to overseas resettlement for refugees from Europe, Asia, Africa, and Latin America. Activities include child care, medical and educational aid, job placement, self-help and training programs, family counseling and assistance with asylum problems.

International Social Service, American Branch
20 West 40th Street
New York, New York 10018
(212) 398-9142

Provides the assistance of professionally trained social workers in areas including reunion of families separated by national boundaries, intercountry adoptions, problems of migration and international marriage, refugee resettlement, health services and counseling for foreign students and workers. ISS also acts as consultant to UN, government and private groups on international social issues.

International Voluntary Services
1424 16th Street, N.W., Suite 504
Washington, D.C. 20036
(202) 387-5533

Recruits skilled technicians internationally to fill particular posts at the request of host governments and institutions. Assistance is given in the areas of community development, cooperatives and loans, agriculture, micro-enterprise development and health care, emphasizing development of local institutions. Volunteer technicians are currently serving in countries in Africa, Asia and Latin America.

Katalysis Foundation
9264 Alhambra Avenue
Stockton, California 95212
(209) 948-0200

The purpose of the Foundation is to improve the social and economic status of indigent persons in the developing countries of Latin America. The organization's strategy is to create long-term job opportunities through the development of profit-oriented enterprises owned and managed by local residents. The Foundation will provide funding, technical support and management assistance to persons interested in establishing rural agricultural businesses.

Helen Keller International
15 West 16th Street
New York, New York 10011
(212) 620-2100

Carries out integrated eye care programs which include training local personnel to recognize and treat eye diseases, establishing and improving rehabilitation services for blind children and adults, and conducting related evaluation and research. Serves countries in Africa, Asia and Latin America.

La Leche League International

9616 Minneapolis Avenue
Franklin Park, Illinois 60131
(312) 455-7730

LLLI was founded for the purpose of giving help and encouragement, primarily through personal instruction, to those mothers who want to nurse their babies. LLLI believes that breastfeeding is the ideal way to initiate good-mother-child relationships and strengthen family ties. LLLI reaches out to mothers through several thousand groups through which certified League Leaders volunteer their time to help other mothers in 46 countries of the world.

Laubach Literacy International

1320 Jamesville Avenue
P.O. Box 131
Syracuse, New York 13210
(315) 474-3869

Creates literacy programs which enable adults to develop skills needed to identify and solve problems. Programs include fundamental literacy and adult basic education programs, nonformal education, and technical and vocational training. Laubach Literacy publishes primers, high interest materials and educational curricula. Assistance is given to countries in Africa, Asia, Latin America and the Middle East.

Lutheran World Relief

360 Park Avenue South
New York, New York 10010
(212) 532-6350

Provides financial, material and personnel support, usually through counterpart church-related agencies, in the areas of disaster relief, refugee assistance and social and economic development. Programs are conducted in Africa, Asia, Latin America and the Middle East and include projects in communications, community development, housing and education, cooperatives, agriculture and health care, crafts development and cottage industries.

MAP International

P.O. Box 50
Brunswick, Georgia 31520
(912) 265-6010

In cooperation with Christian missions and national churches, MAP International assists community projects of increased food production, nutritional education and water resource development. Channels emergency medical relief. Grants fellowships to medical students that enable them to study medicine in a rural hospital in the developing world. Assistance is given to countries in Africa, Asia, Latin America and the Middle East.

Meals for Millions/Freedom from Hunger Foundation

16440 Da Vinci Court
P.O. Box 2000
Davis, California 95617
(916) 758-6200

Carries out development projects designed to strengthen the capabilities of developing communities to solve their own food and nutrition problems within the existing economy and culture; to give special emphasis to the nutritional needs of infants, children and pregnant and lactating women; and to advance and perfect the participatory approach to achieve lasting development. MFM/FFH works to achieve these goals through comprehensive and integrated Applied Nutrition Programs which include food and nutrition training, agricultural development, food technology transfer and information dissemination. Assists projects in Africa, Asia, Latin America and the United States.

Medical Care Development

11 Parkwood Drive
Augusta, Maine 04330
(207) 622-7566

Analyzes, develops, implements and evaluates systems that help assure people of high quality health care regardless of income or location. Emphasis is on primary health care, particularly in rural areas. Assistance abroad is given to countries in North Africa and has included establishment of a Department of Community Health at the Faculty of Medicine, Tunis.

Mennonite Central Committee

21 South 12th Street
Akron, Pennsylvania 17501
(717) 859-1151

MCC responds to disaster needs and provides development assistance in the areas of education, agriculture, housing, health care and crafts development. Focuses on programs which emphasize food production, nutrition and family planning; encourage more equal distribution of resources; and involve a high degree of local participation and local leadership training. Projects are conducted in Africa, Asia, Latin America and the Middle East.

Mercy Corps International

3030 S.W. First Avenue, Suite 24
Portland, Oregon 97201
(503) 242-1032

MCI's purpose is to provide support for relief and development agencies, provide assistance to relief and development agencies in the establishment of mission stations in remote areas abroad, and to meet the needs of the poor, with particular attention to refugees and world hunger crises. Current project activity in Latin America and Africa includes shipments of commodities, community development and self-help development projects.

Minnesota International Health Volunteers

122 West Franklin Avenue, Room 5
Minneapolis, Minnesota
(612) 871-3759

MIHV's purpose is to offer health care services to needy third world communities. The organization provides training in the field of international health to laymen, students and professional volunteers who then travel to a selected host country. Service delivery includes primary health care, program design, prevention education and nutrition.

Moral Majority Foundation

305 6th Street
Lynchburg, Virginia 24504
(804) 528-5000

The Foundation's purpose is to receive, administer and expend funds for charitable and educational reasons based on the religious teachings of the Bible. To date, its program activity has been development assistance abroad entailing the establishment of a relief program to aid Africa famine victims over a five to ten year period. Long-term assistance includes well drilling, teaching agriculture techniques, grid mapping rural areas, making systematic population counts and providing technical assistance.

National Association of the Partners of the Alliance

1424 K Street, N.W., Suite 700
Washington, D.C. 20005
(202) 628-3300

Services, promotes and raises funds for volunteer Partners of the Americas' committees located in 44 states, linking thousands of private citizens in direct "partnership" with 21 Latin American nations. These partnerships conduct inter-American technical assistance exchange in agriculture, community development, education, health, rehabilitation, cultural arts, community recreation, investment, communications and development planning.

National Council for International Health

2100 Pennsylvania Avenue, N.W., Suite 740
Washington, D.C. 20037
(202) 466-4740

Seeks to strengthen the U.S. response to international health needs, providing a means by which health problems can be approached jointly by the various U.S. agencies and disciplines concerned with it, including the university community, the federal government, professional organizations, PVOs, foundations, corporations and consulting groups. NCIH offers a wide range of activities and services designed to share information, encourage dialog on issues facing the profession, and increase the effectiveness of international health professionals.

National Council of Negro Women

701 North Fairfax Street
Alexandria, Virginia 22314
(703) 634-5733

Helps establish self-help projects for rural women with emphasis on leadership training, child care and poultry production. Countries of assistance include Togo, Lesotho and Swaziland. The application of the resources and expertise of the NCNW to improving the quality of life for women in the poorest majority is the main objective of its international programs.

National 4-H Council

7100 Connecticut Avenue
Chevy Chase, Maryland 20815
(301) 656-9000

Provides opportunities for youth to participate in cross-cultural experiences and development and training programs, including the International Youth Development Project through which U.S. participants serve as extension agents to developing countries in building and expanding programs similar to 4-H; the International Four-H Youth Exchange; and the Professional Rural Youth Leader Exchange, a three to four-month opportunity for professional leaders to study the 4-H type program in the host country. The National 4-H Council conducts all 4-H international programs on behalf of the Cooperative Extension Service of the state land-grant universities and the U.S. Department of Agriculture. Cooperating countries are located in Africa, Asia, Latin America and the Middle East.

National Office for Social Responsibility in the Private Sector

208 N. Washington Street
Alexandria, Virginia 22314
(703) 549-5305

NOSR works at the national, regional and local levels to influence policy, programs and resources targeted for youth in need of services. In most recent years, the organization has been active in developing, implementing and testing program strategies and approaches related to juvenile justice and delinquency prevention programs. It is also assisting in youth employment training/placement and in juvenile justice services in St. Lucia.

National Rural Electric Cooperative Association

1800 Massachusetts Avenue, N.W., Suite 200
Washington, D.C. 20036
(202) 857-9500

Assists in provision of electric power to rural areas through the supply of rural electrification specialists who guide and assist national and regional electrification systems development. Specialists have aided countries in Africa, Asia and Latin America.

National Wildlife Federation

1412 16th Street, N.W.
Washington, D.C. 20036
(202) 797-6800

Promotes better public recognition of the need for restoration, conservation and scientific management of wildlife and other natural resources. Develops, promotes, and supports a comprehensive education program; informs and educates the public through the dissemination of educational materials. NWF is working with other U.S. environmental groups to help a new federation of non-governmental groups in Panama become a force for conservation in that country. NWF plans to expand this program to other countries in Central and South America and the Caribbean.

Nature Conservancy

1800 N. Kent Street
Arlington, Virginia 22209
(703) 841-5300

The organization's purpose is to identify, protect and manage significant natural land areas in order to preserve biological diversity. This is accomplished through fundraising, land acquisition, implementation of conservation programs and assisting similar organizations and universities in these efforts. The program is also active in the Caribbean, the Netherland Antilles and Latin America. Development assistance abroad involves management consulting, training, institution building and fund allocation.

Near East Foundation
Suite 1125
29 Broadway
New York, New York 10006
(212) 269-0600

The Near East Foundation concentrates its professional and financial resources on projects to increase food production, on related activities in rural and community development, and, in recent years, on complementary work in primary health care. The provision of qualified specialists to assist with transfer of technical skills and human resource development is NEF's principal mode of operation. NEF assists projects which have strong local support and actively seeks opportunities to extend its work through cooperation with other donor agencies.

New TransCentury Foundation
1724 Kalorama Road, N.W.
Washington, D.C. 20009
(202) 328-4400

NTF is a consultant organization operating domestically and overseas. It provides technical assistance and management consulting services in the areas of recruitment, organizational development, program planning and evaluation, management information systems, budgeting and accounting, fundraising, and women in development for private agencies working in the Third World.

OBOR
16 Kelseytown Bridge Road
Clinton, Connecticut 06413
(203) 669-9206

Under multinational sponsorship, OBOR helps bring out important books for students and the general reader in the national languages of Indonesia and other Asian countries.

Operation Bootstrap-Africa
122 W. Franklin Avenue, Suite 216
Minneapolis, Minnesota 55404
(612) 871-4980

A Christian movement dedicated to increased educational opportunity in Africa. Relates in partnership with indigenous Christian churches, councils and development agencies in Tanzania, Zimbabwe, Madagascar and The Gambia. Projects include primary school construction, teachers' housing, teachers' salary subsidies, Early Training Centers for Pre-schoolers, literacy programs for older adults.

Opportunities Industrialization Centers International
240 West Tulpehocken Street
Philadelphia, Pennsylvania 19144
(215) 842-0220

Aids interested and requesting communities in Africa to develop OICs. Programs include provision of technical and financial assistance to community groups for the establishment of non-formal vocational training centers for unemployed school drop-outs and young adults, assistance for establishment of small farmer training and production centers, and provision of commodities and equipment necessary to equip local vocational and agricultural training centers.

Overseas Education Fund
2101 L Street, N.W., Suite 916
Washington, D.C. 20037
(202) 466-3430

Provides training and technical assistance to Third World organizations, with emphasis on promoting women's participation in economic and social development. Professional multinational staff based in: Asia, Africa, Central America, South America, and the U.S. Overseas program areas include: small enterprise development, vocational training and placement, institutional development, and law and development. OEF also conducts a program which supports the self-help efforts of refugee women in the U.S., with particular emphasis on meeting economic development needs.

Pacific Ministries Development
701 Welch Road, Suite A-2211
Palo Alto, California 94304
(415) 556-5353

The organization's purpose is to organize and assist in the development of poor ethnic groups in the Pacific Ocean area. Future projects are upgrading of transportation, agricultural methods, schools and improving the basic livelihood of residents of Papua New Guinea.

Pan American Development Foundation
1889 F Street, N.W., 8th Floor
Washington, D.C. 20006
(202) 789-3969

Assists in the establishment and institutional/financial development of autonomous, indigenous National Development Foundations (NDFs) in Latin America and the Caribbean by local private sector leaders. NDFs provide loans or bank guarantees to low income businessmen and women and for agriculture and community self-help projects. PADF also provides medical equipment and supplies to health care institutions and tools and machinery for vocational training. PADF also conducts agri-forestry projects which promote the cash cropping of trees while addressing conservation needs.

Partnership for Productivity International
2001 S Street, N.W., Suite 610
Washington, D.C. 20009
(202) 483-0067/234-0340

Promotes entrepreneurship through human and economic development in Africa, Asia and the Caribbean. Services include management and credit training for small business entrepreneurs, investment loans and technical assistance, and individual/group business start-up and vocational training in diverse areas of commercial activity including agriculture, appropriate technology, energy and law.

Pathfinder Fund
1330 Boylston Street
Chestnut Hill, Massachusetts 02167
(617) 731-1700

Assists innovative and pioneering programs which will lead to lower rates of population growth. Works through eight international offices. Assistance is given to countries in Africa, Asia, Latin America and the Middle East and consists of funding of projects in the following areas: clinical and non-clinical services; policy development; sterilization; adolescent fertility; women-in-development; training of health personnel, especially paramedical personnel and auxiliaries; commodity support; communications; integration of family planning and other health services; conference support and travel for exchange of experience.

People-to-People Health Foundation
Project HOPE
Health Sciences Education Center
Carter Hall
Millwood, Virginia 22646
(703) 837-2100

Teaches modern techniques of health science to medical, dental, nursing and allied health personnel. Provides education in sanitation, nutrition, public health, bio-medical engineering and preventive medicine. Assistance is given to countries in Africa, Asia, Latin America, the Caribbean and the Middle East.

The Trustees of the Phelps-Stokes Fund
10 East 87th Street
New York, New York 10128
(212) 427-8100

Phelps-Stokes Fund was created for the purpose of receiving, maintaining and investing funds and applying the income thereof to the erection and improvement of tenement house dwellings in New York City; and for the education of blacks both in Africa and the United States, North American Indians and needy and deserving white students, through industrial schools, scholarships, etc. Programs have been established in the following areas: development of curricula about Africa; Caribbean-American cultural exchange programs for educators and community workers; "African Student Aid Fund" organized specifically to provide no-interest loans to help unsponsored African undergraduates complete their education in the U.S.

Pioneer Women
The Women's Labor Zionist Organization of America
200 Madison Avenue
New York, New York 10016
(212) 725-8010

Carries out programs in education, population services and social welfare in Israel in cooperation with Na'amat, its Israeli sister organization. Programs include vocational junior high and high schools, college scholarships for women who train in traditionally non-female professions, literacy classes, free legal aid for women, community centers, and classes in hygiene, sex education and birth control.

Planned Parenthood Federation of America
810 Seventh Avenue
New York, New York 10019
(212) 541-7800

Develops and supports family planning programs in developing countries in Africa, Asia, Latin America and the Middle East and includes integrated family planning services such as maternal/child health and nutrition services, training of field workers and other program staff, and provision of contraceptive supplies and equipment as well as multi-media educational and motivational materials. PPFA's program is being implemented through its Family Planning International Assistance division, with Regional Offices in Miami, Florida (Latin America); Nairobi, Kenya (Africa); and Bangkok,Thailand (Asia).

Planned Parenthood of New York City
(Margaret Sanger Center)
380 Second Avenue
New York, New York 10010
(212) 777-2002

Provides assistance in the area of population and family services, including technical training in family planning and child care, and technical advisory services and material assistance in development and implementation of local family and health training centers. Operational research is aimed at improving programs as well as emphasizing use of non-physician medical personnel. Assistance is given to countries in Africa, Asia, Latin America and the Middle East.

Planning Assistance Inc.
141 Fifth Avenue
New York, New York 10010
(212) 677-4372

Assists voluntary agencies and governmental organizations in planning and management of available resources to realize their fullest potential in the conduct of development programs. Projects include training workshops and technical assistance to help organizations design more efficient development programs, and preparation of program planning and management training materials. Assistance has been provided to organizations in countries in Africa, Asia, Latin America and the Middle East.

Population Council
One Dag Hammerskjold Plaza
New York, New York 10017
(212) 644-1300

The Population Council provides technical assistance to family planning and other population-related programs at local, national, and regional levels; pursues biomedical research in the field of human reproduction to develop and improve contraceptive methods; and undertakes social science research into the causes of population change, their societal implications, and appropriate policy responses. The Council produces publications for researchers, policymakers, and the concerned public and supports advanced training for population specialists. It allocates resources to projects throughout the world, but especially to those in Africa, Asia, and Latin America. Council researchers, technical advisors, and representatives reside in 11 countries and have collaborative arrangements in more than 20 others.

Private Agencies Collaborating Together (PACT)
777 United Nations Plaza, Suite 6B
New York, New York 10017
(212) 697-6222

PACT is an international consortium of private agencies designed to promote a coordinated approach to planning for overseas programs, to improve the capability of private agencies and to provide information and services to member agencies. PACT supports development projects in Africa, Asia and Latin America undertaken by member groups in the areas of cooperatives and loans, education, agriculture, and small industry development and management.

Program for Appropriate Technology in Health
Canal Place, 130 Nickerson Street
Seattle, Washington 98109
(206) 285-3500

PATH is devoted exclusively to the development and application of appropriate health technologies for primary health care programs in developing countries. The organization thus concentrates on developing new and innovative health technologies and approaches to suit the cultural and social circumstances of the users. It also conducts the field trials and provides the information needed at different levels to assure the effective introduction and widespread use of the product.

Program for the Introduction and Adaptation of Contraceptive Technology (PIACT)

Canal Place
130 Nickerson Street
Seattle, Washington 98109
(206) 285-3500

The objectives of the organization are to "increase the availability, acceptance, continued use, and safety of methods and systems of fertility regulation as they are used in family planning programs in developing countries." PIACT provides technical and some financial assistance in the above-mentioned areas to countries in Asia, Africa and Latin America. PIACT is active in the development of instructional materials for contraceptive users, including nonliterate family planning clients, and for service providers. PIACT works closely with the groups for whom the materials are intended to ensure that the materials produced are culturally appropriate. PIACT also manages a number of projects to establish local contraceptive production. Feasibility assessment, technical assistance and equipment procurement are a part of this process.

Project Concern International

3550 Afton Road
P.O. Box 85323
San Diego, California 92138
(619) 279-9690

Provides comprehensive programs of health care and preventive medicine including training for village health workers; nutrition centers; disease control, sanitation and water projects; and provision of family planning information. Conducts a child sponsorship program. Through OPTION, a division of PCI, recruits physicians, nurses, dentists, and allied health personnel for health care facilities. Assistance is given to countries in Africa, Asia, Latin America and the Middle East.

Project ORBIS

330 West 42nd Street
New York, New York 10036
(212) 244-2525

Project ORBIS administers and operates an itinerant medical project (via a DC-8 jet) for the purpose of exchanging, sharing, teaching and demonstrating the latest surgical and medical techniques in the field of ophthalmology worldwide. The DC-8 jet has been converted into a complete surgical arena and teaching classroom to provide eye doctors and related medical personnel throughout the world with knowledge of the most recent advances in the practice of ophthalmology.

Rare Animal Relief Effort, Inc.

1601 Connecticut Avenue, N.W.
Washington, D.C. 20009
(202) 745-7364

Fosters the wise use of natural resources and the conservation of fauna and flora in the developing countries of the Western Hemisphere. RARE's programs are guided by the World Conservation Strategy which aims at integrating effective conservation with sustainable development. Its four major program areas are Youth Education, Public Awareness, Professional Training and Institutional Strengthening.

Rav Tov/International Jewish Rescue Organization

125 Heyward Street
Brooklyn, New York 11206
(718) 875-8300

Provides services for immigrants and refugees from the Soviet Union, Eastern Europe, Middle and Near East. Assistance includes pre-migration planning, visa documentation, care and maintenance, and medical assistance to refugees while in transit. In countries of resettlement, provides a full range of services, including reception, housing, medical care, language training, employment counseling and maintenance assistance.

Dr. Jose P. Rizal-General Douglas MacArthur Memorial Foundation

3245 Town Crier Court
Brookfield, Wisconsin 53005
(414) 781-0594

Provides medical assistance to the Philippines. Programs include grants to encourage and enable doctors and medical auxiliaries to practice in provinces and doctorless areas, the establishment of medical centers and clinics, medico-community research, and provision of medical supplies and equipment.

Salesian Society

148 Main Street
P.O. Box 30
New Rochelle, New York 10802
(914) 636-4225

Constitutes one of the largest orders within the Roman Catholic Church, numbering approximately 40,000 Fathers and Sisters. While its primary purpose is general missionary work, through its Salesian Missions, the Society has also been involved since 1906 in humanitarian aid abroad including relief and welfare in the fields of health, nutrition, refugee services, resettlement, and emergency and disaster assistance; and in developmental activities abroad through trade, vocational and agricultural education through schools and centers. Their work is in 85 countries in Latin America and the Caribbean, Africa, Asia, the Near East and Europe.

The Salvation Army World Service Office

1025 Vermont Avenue, N.W., Suite 305
Washington, D.C. 20005
(202) 833-5646

SAWSO, a development agency of The Salvation Army, provides technical and financial assistance in support of self-help, relief and training programs. Assistance is available to the more than 80 countries in which The Salvation Army operates, with major focus on approximately 50 of those which are developing countries. Program areas include comprehensive health care, employment skills training, income generation, community development, disaster relief and assistance, and local leadership training.

Santa Fe De Bogota Foundation, Inc.
171 Orange Street
New Haven, Connecticut 06503

Foundation makes grants to health organizations in Colombia, particularly to Fundacion Santa Fe De Bogota. It has plans in the future to support programs in Colombia that provide: medical care to low income patients, medical care to private and referral patients, education and research, prepaid medicine, and health planning.

Save the Children Federation
54 Wilton Road
Westport, Connecticut 06880
(203) 226-7271

Save the Children is a non-profit development agency dedicated to improving the quality of life and defending the rights of children — particularly in underprivileged communities — without regard to race, religion or place of origin. SCF believes children cannot be helped in isolation. Rather, their total environment must be enriched. Thus, it works to unite the child, the family and the community in development projects aimed at transforming need and dependence into plenty and self-reliance. SCF conducts child sponsorship programs and community development projects in areas such as housing, cooperatives and loans, education, agriculture, small industry development, nutrition and health care. Emphasis is on community self-help through grass roots organization as well as training and technical assistance. There are programs in the U.S. and 36 countries in Africa, Asia, Central America, Europe and the Middle East.

Seton Institute for International Development
1900 Sullivan Avenue
Dale City, California 94015
(415) 992-4000

The Institute engages in international health care service development in underserved areas of the world, for the purpose of developing public health services and selected medical services.

Sovereign Military Order of Malta — Federal Association
The Hill Building
839 17th Street, N.W.
Washington, D.C. 20006
[illegible]-3060

The Association's general purpose is to promote the spiritual and physical welfare of the sick, disabled and poor through charitable giving. Fundraising and fund allocation have been the primary responses to requests for assistance. Future plans are to establish a hospice program and to participate in disaster relief projects in Africa, El Salvador, Chile, Costa Rica, Mozambique and Guinea.

Summer Institute of Linguistics
Huntington Beach, California 92647
(714) 536-9346

Engages in language research, bilingual educational projects and literacy programs for ethnic minority groups throughout the world. Undertakes community development projects in many countries. Assistance is provided to countries in Africa, Asia and Latin America.

Technoserve
11 Belden Avenue
Norwalk, Connecticut 06850
(203) 846-3231

Technoserve assists low-income people of developing countries to organize, and operate efficiently, their own community-based enterprises. TNS advisors provide technical and administrative training, and direct management assistance, until participants are capable of full self-management. Enterprises assisted are in four main areas: primary agricultural production, crop processing, livestock development, and savings and credit programs. These community-based enterprises generate more jobs and provide wider income distribution to the benefit of the entire community and region. Approximately 150 enterprises, and an average of 600,000 persons, benefit directly from Technoserve programs each year. Technoserve is currently working in Kenya, Ghana, Zaire, Rwanda, Peru, Panama, Costa Rica, and El Salvador.

Town Affiliation Association of the U.S.
Sister Cities International
1625 Eye Street, N.W., Suite 424-26
Washington, D.C. 20006
(202) 293-5504

Sister Cities International provides interested U.S. cities with financial aid and administrative support in initiating and establishing programs of technical assistance to Sister Cities in developing countries. Assistance has been provided to countries in Africa, Asia and Latin America in areas such as medical auxiliary training, urban planning and sanitation. The Town Affiliation Association serves as a center for research, information and counseling for all U.S. cities with Sister City programs.

Trickle Up Program, Inc.
54 Riverside Drive, PHE
New York, New York 10024
(212) 362-7958

The Trickle Up Program is one that employs psychological encouragement and a grant of US$100 to stimulate groups of unemployed or underemployed people to initiate income-producing micro enterprises. Groups are assisted by TUP Coordinators, generally field personnel of governmental and non-governmental organizations, who volunteer their services to TUP. The TUP model that has evolved since its launching in 1979, is creating new opportunities for employment and economic and social well-being among the low income populations in Third World countries. By September 1984, grants had been assigned in over 70 countries, and more than 340 groups of entrepreneurs had started businesses which are reported to be continuing.

Unitarian Universalist Service Committee
78 Beacon Street
Boston, Massachusetts 02108
(617) 742-2120

Develops and maintains non-sectarian service and action programs which address basic human needs by providing tools, options and experiences to increase the capacity of men and women to contribute effectively and freely in the decisions affecting the conditions of their lives. Assistance is given to Latin America and includes support to community action Newsletters, leadership training, and support for the development of integrated family planning programs in cooperation with family planning officials.

United Israel Appeal
515 Park Avenue
New York, New York 10022
(212) 688-0800

Assists in financing the immigration and absorption of refugees in Israel. Working through the Jewish Agency for Israel, Jerusalem, as its agent, the UIA extends assistance in housing, health, social welfare, youth care and training, agricultural settlement, educational and vocational training, and higher education.

United Palestinian Appeal
202 Eye Street, N.W., Suite 916
Washington, D.C. 20006
(202) 659-5007

The organization's purpose is to improve the lives of Palestinians in and outside the Middle East, particularly those Palestinians residing in Israel, the West Bank and Gaza Strip. This objective is accomplished by engaging in fundraising and allocation of funds along with program activities in the fields of health, education, agriculture, industry and economic and community development.

U.S. Feed Grains Council
1575 Eye Street, N.W., Suite 100
Washington, D.C. 20005
(202) 789-0789

The Council's purpose is to create, develop, foster and promote overseas markets for U.S. feed grains. This is accomplished through the transfer of technology to local countries. USFGC operates programs in 48 countries through a network of 13 overseas offices worldwide. Technical assistance activities include seminars on grain storage facilities management, feed milling technology, cooking instruction, trade servicing and business financing.

United States Foundation for International Scouting
1325 Walnut Hill Lane
Irving, Texas 75038-3096
(214) 659-2400

Supports the Community Development Program of the World Organization for the Scouting Movement in all major regions of the developing world. World Friendship programs include exchange visits, international Scout events, correspondence linkups and assistance projects made possible by the voluntary donations of Scouts and leaders in the U.S.A. Projects include shipments of publications and scholarships for training in the U.S. and support of international Scouting programs for the handicapped.

United Way International
United Way Plaza
701 North Fairfax Street
Alexandria, Virginia 22314
(703) 836-7100

Its purpose is to help build a sense of community through leadership development, fund raising, and allocation, and local problem solving for the effective delivery of human health and welfare services worldwide. To date, UWI has been instrumental in establishing United Way organizations in Africa, Asia, Europe, and Latin America. UWI provides on-site technical assistance and general staff training in the U.S. to emerging and existing United Way agencies in on-going program activities.

Volunteer in Overseas Cooperative Assistance
1800 Massachusetts Avenue, N.W., Suite 301
Washington, D.C. 20036
(202) 223-2072

Sends volunteer cooperative business specialists overseas for short-term assignments (maximum 90 days) to cooperatives and governments of developing countries to give professional advice and counsel in such areas as agricultural marketing, farm supply, and credit; credit unions; consumer stores and warehouses; housing; rural electric systems and others. VOCA's sponsoring organizations direct its work and provide its basic financing. In 1983 36 volunteers were sent to 20 developing countries in Africa, the Middle East, Asia, South and Central America.*

Volunteers in Technical Assistance (VITA)
1815 N. Lynn Street, Suite 200
Rosslyn, Virginia 22209
(703) 276-1800

VITA provides technical cooperation services for individuals and groups in developing countries, including: technology assessment, design, and problem-solving; project planning and management; information systems analysis and training; integrated development system design. Also offered: on-site consulting; training in computer skills and information management; transfer of microfiched document collection on low- to medium-scale technologies; brokering, licensing and intermediary services to business. Current emphasis is in the areas of: renewable energy, food storage and processing, reforestation and soil conservation, water supply and sanitation, low-cost housing and construction, and small business development. Since 1959, over 50,000 by-mail inquiries answered. Volunteer skills roster of 4,500 experts in 100 countries. Quarterly magazine, and technical publications.

Booker T. Washington Foundation
2000 K Street, N.W., Suite 800
Washington, D.C. 20006
(202) 857-4800

Provides management and technical assistance to black and other minority business enterprises throughout the United States as well as in Africa and the Caribbean. Supports research and development in areas including small-scale industry and private sector rural and market-town enterprises. Countries of assistance include Kenya, Liberia, Cameroon and Ivory Coast.

Winrock International Institute for Agricultural Development
Petit Jean Mountain, Route 3
Morrilton, Arkansas 72110
(501) 727-5435

Provides agricultural development assistance in production research and training, technical services, sector analysis, project design and evaluation, agricultural policy assessment, development of communications programs and training materials, organization of conferences/workshops, and development support and consultation for agricultural service institutions. Particular emphasis is on programs to help family farmers through a farming systems approach working with institutions overseas and in the U.S. Particular expertise is related to animal agriculture.

Wisconsin-Nicaragua Partners of the Americas

1321 TemkinAvenue #12
Madison, Wisconsin 53705
(608) 231-2124 or 263-3360

Sponsors people-to-people technical assistance projects and cultural exchanges between Wisconsin and Nicaragua. Volunteers on each side of the partnership cooperate to carry on projects in agriculture, nutrition, health, education, public services, other areas of development and self-help. The National Association of Partners assists the inter-American partnerships through program development, professional management services, fund raising and promotional activities.

World Concern Development Organization

Box 33000
Seattle, Washington 98133
(206) 546-7201

World Concern, one of 8 divisions of Crista Ministries, a non-profit religious corporation, has been involved in extensive international relief and development activities since 1973. WCDO sends personnel, commodities, and funds to aid projects in areas of health, agriculture, animal husbandry, water development, education, cottage, industry, economic development, refugee aid, community development and emergency relief. World Concern is active in over 50 countries around the world.

World Education, Inc.

210 Lincoln Street
Boston, Massachusetts 02111
(617) 482-9485

Provides training to staff members of public and private agencies in assessing needs of client groups, planning and designing learner-centered educational programs, developing integrated curricula (e.g., health, employment, nutrition, appropriate technology, agriculture), and designing workshops to train trainers. Also undertakes experimental programs in literacy, community development, small business development, and adult education and publicizes experience accumulating in the field. Assistance is provided to countries in Africa, Asia, Latin America, and the Middle East and the United States.

World Rehabilitation Fund

400 East 34th Street
New York, New York 10016
(212) 340-6062

Assists governmental and voluntary agencies in developing countries in improving and expanding medical services for the physically handicapped. Programs in communication, medicine and public health and material aid are conducted in countries in Africa, Asia, Central America and South America.

World Relief Corporation

450 Gunderson Drive
P.O. Box WRC
Wheaton, Illinois 60187
(312) 665-0235

WRC, the official relief and development agency of the National Association of Evangelicals, promotes programs in agriculture, rural development, community development, health, nutrition, vocational training and refugee relief and resettlement by enabling national relief to victims of war and natural disaster and conducts programs in refugee relief and development, and development assistance. Assistance is provided to countries in Africa, Asia, Latin America and the Middle East.

World Vision Relief Organization

919 West Huntington Drive
Monrovia, California 91016
(213) 357-1111

WVRO provides relief, rehabilitation, development assistance and hope to those in need, by means of transferring resources from donors to the poor in countries in Africa, Asia, Latin America and the Middle East. Emergency relief responds to famine and natural disaster in the way of food and other commodities, medicines and medical equipment, clothing and refugee kits; and, community development programs stimulate self-determination and self-reliance in the form of community and larger scale development. Development programs in food production, preventive public health and nutrition, appropriate technology, childcare, income production and vocational training are accomplished by technical specialists, indigenous PVO funding and donor education.

World Wildlife Fund-U.S.

1601 Connecticut Avenue, N.W.
Washington, D.C. 20009
(202) 387-0800

Promotes conservation, restoration and sound management of wildlife and its habitat throughout the world, by supporting efforts that lead to the adoption of practical wildlife management, habitat development, education and research and other activities needed to attain this objective. Its areas of concentration are: tropical forests, oceans, parks, protection of habitat, training and conservation education, endangered and migratory species, research and conservation, primates, traffic-monitoring, wildlife trade, and development of conservation policy.

Young Men's Christian Association of the USA, National Board

101 North Wacker Drive
Chicago, Illinois 60606
(312) 977-0031

Stengthens and assists indigenous YMCAs in developing countries in the planning and funding of social and economic development programs. Working in collaboration with the World Alliance of YMCAs, based in Geneva, the YMCA of USA assists programs in Africa, Latin America, Asia and the Middle East which principally focus on: vocational training, project management training, health, rural community development, agriculture and family services. Additional assistance is given to YMCAs for work with refugees.*

Summary of Support and Revenue

U.S. Voluntary Agencies Registered with the Agency for International Development

Agency	Grand Total	U.S. Government Support										
		A.I.D. Freight	P.L. 480 Freight	P.L. 480 Donated Food	U.S. Gov. Excess Property	U.S. Gov. Grants	U.S. Gov. Contracts	Other Govern-ments & Int'l Org.	Donated Services	Donated Supplies & Equipment	Private Contributions	Private Revenue
Total All Agencies	2,467,529,406	7,643,874	133,876,743	367,514,300	22,799,425	244,532,863	86,783,565	138,443,400	22,538,349	174,196,842	990,953,035	278,247,010
ACCION International/AITEC	1,665,482					412,566	145,156	215,831	234,000		539,640	118,289
Adventist Development & Relief Agency	44,838,839	671,559	6,571,719	16,701,818	356,646	3,877,714			4,884,116	6,191,036	5,282,852	301,379
African-American Institute	14,403,563					3,058,848	9,058,929	65,605	884,350		810,015	525,816
African-American Labor Center	6,748,081						5,257,014	1,250,000			241,067	
African Medical and Relief Foundation	7,050,489					679,127	1,133,192	3,917,231		50,000	773,358	497,581
African Wildlife Leadership Foundation	1,203,235										980,401	222,834
AFRICARE Inc.	8,444,826	9,753				5,837,098		209,862	253,356	283,356	1,793,555	57,846
Aga Khan Foundation, USA	1,433,937										1,220,812	213,125
Agricultural Cooperative Development International	6,031,426					2,345,084	3,537,420				78,338	70,584
Aid to Artisans	171,311					159,961					7,633	3,717
America's Development Foundation	690,064					150,000			119,000	322,855	81,336	16,873
America-Mideast Educational & Training Services (AMIDEAST)	29,258,908					6,823,063	5,988,867	13,326,096			49,550	3,071,332
American Association for Bikur Cholim Hospital, Jerusalem	722,748										722,748	
American Committee for Shaare Zedek Hospital in Jerusalem	5,713,034	21,143				244,999					4,260,126	1,186,766
American Dentists for Foreign Service	541,796									434,078	40,588	67,130
American Friends of Kiryat Sanz Hospital	2,563,268							200,000		130,000	1,816,205	417,063
American Friends Service Committee	18,499,407	18,569						4,590		490,534	14,138,217	3,847,497
American Institute for Free Labor Development	14,280,265					1,424,584	11,476,498	1,078,516			300,667	
American Jewish Joint Distribution Committee	44,046,231		20,244	97,519			440,940			1,760,685	40,339,836	1,387,007
American Leprosy Missions	4,168,599										3,938,598	230,001
American Near East Refugee Aid	2,023,869					938,379				500,278	555,491	29,721
American ORT Federation	13,183,967	124				909,749	772,484				3,296,535	8,205,075

NOTE: These data represent the 12 month period of the fiscal year of the registered agencies and vary from agency to agency. The statistics contained in this statement are compiled from registered voluntary agency reports submitted as a requirement for continued registration. Data on income have been abstracted from the Statement of Support, Revenue and Expenditures (C-100), prepared by registered voluntary agencies which correspond to the individual agency's own fiscal year. "Donations of supplies and equipment" are those donations from private sources. Under "private contributions and other income" the other income may be derived from stocks, investments, direct bequests, interest on bank accounts, etc. The statistics on income from U.S. Government resources may vary from U.S. Government program statistics inasmuch as the voluntary agencies' fiscal reporting systems are not comparable to that of the U.S. Government.

*Recently registered: No report due.

Agency	Grand Total	U.S. Government Support A.I.D. Freight	P.L. 480 Freight	P.L. 480 Donated Food	U.S. Gov. Excess Property	U.S. Gov. Grants	U.S. Gov. Contracts	Other Governments & Int'l Org.	Donated Services	Donated Supplies & Equipment	Private Contributions	Private Revenue
American Red Magen David for Israel	5,429,084	276,078									4,400,503	752,503
American Schools of Oriental Research	687,341					50,000					329,101	308,240
Americares Foundation	20,928,616									20,246,849		681,767
Amigos de las Americas	1,106,054										1,106,054	
AMIT Women	3,940,000										3,355,000	585,000
Armenian General Benevolent Union	1,966,522					159,533					998,106	808,883
The Asia Foundation	23,866,091					14,056,547	1,681,790		56,466	6,695,905	862,497	512,886
Asian-American Free Labor Institute	5,303,448					5,213,567					77,500	12,381
Simon Bolivar Foundation	665,010					438,046			1,759		223,562	1,643
Boys' Clubs of America	13,511,077						87,118	5,796			10,189,119	3,229,044
Brother's Brother Foundation	14,563,573	10,800				24,000	119,531	2,000		14,244,492	154,171	8,579
Pearl S. Buck Foundation	4,107,687					234,105		175,427			3,511,750	186,405
Paul Carlson Medical Program	396,789									4,450	387,300	5,039
Catholic Relief Services	437,282,000	1,964,000	80,240,000	230,417,000		20,531,000		5,091,000		37,109,000	50,324,000	11,606,000
Centre for Applied Linguistics	3,695,997					188,698	3,246,841	32,014			2,987	225,457
Center for Development and Population Activities	1,238,568					478,663		102,924			265,470	391,511
Chol-Chol Foundation for Human Development	66,723										60,353	6,370
Christian Children's Fund	64,603,855										64,350,627	253,228
Church World Service	45,026,632	2,013,485	766,641	1,980,194		633,692	3,437,024	14,473		6,679,179	27,192,195	2,309,749
Community Development Foundation	72,272										72,196	76
Community Systems Foundation	274,068						230,692				23,044	20,332
Consortium for Community Self-Help	10,000										10,000	
Cooperative for American Relief Everywhere (CARE)	273,562,000	320,000	41,753,000	111,750,000		9,941,000		79,653,000		5,062,000	23,962,000	1,121,000
Cooperative Housing Foundation	3,328,774					286,382	641,616	2,340,095				60,681
Cooperative League Foundation	258,478										80,233	178,245
Cooperative League of the U.S.A.	4,519,314					3,545,048					974,266	
Coordination in Development (CODEL)	1,769,719					818,030			7,043		863,422	81,224
Council of International Programs for Youth Leaders Social Workers	680,267					409,696		120,255			150,316	
Credit-Union National Association	17,476,343					2,840,096						14,636,247
Dental Health International	21,400									21,000	400	
Direct Relief International	6,984,082	36,044							252,937	6,006,077	576,337	112,687

Agency	Grand Total	U.S. Government Support						Other Governments & Int'l Org.	Donated Services	Donated Supplies & Equipment	Private Contributions	Private Revenue
		A.I.D. Freight	P.L. 480 Freight	P.L. 480 Donated Food	U.S. Gov. Excess Property	U.S. Gov. Grants	U.S. Gov. Contracts					
Domestic/Foreign Missionary Society for the Protestant Episcopal Church in the USA	45,383,000					4,098,000					34,281,000	7,004,000
Thomas A. Dooley Foundation/Intermed USA	878,267	55,055								191,420	603,763	28,029
Tom Dooley Heritage	194,791					43,180		14,931		54,514	74,561	7,605
El Congreso Nacional de Asuntos Colegiales (CONAC)	408,397					304,288	2,500		5,000		96,609	
Elwyn Institute[a]												
Esperanca, Inc.	1,168,634					223,326			306,785	48,305	556,487	33,731
Experiment in International Living	11,994,030					1,359,330	2,466,879	695,282			304,834	7,167,705
Eye Bank International	1,154,582										159,341	995,241
Eye Care, Inc.	430,300									123,674	306,626	
Feed the Children[a]												
Food for the Hungry	14,581,685		3,346,546	3,275,931						926,279	6,959,332	73,597
Food for the Poor[a]												
Foster Parents Plan	14,350,556					379,412		258,277			13,050,273	662,594
Foundation for the Peoples of the South Pacific	1,799,137					1,194,099				265,894	277,083	62,061
Friends of Children	672,843									514,667	144,913	13,263
Friends of Shanta Bhawan[a]												
Global Water	400,301										381,469	18,832
Goodwill Industries of America	3,988,236					83,260	826,355				239,280	2,839,341
Hadassah, The Women's Zionist Organization of America	53,967,725	154,744			15,868		1,498,482			336,191	44,277,661	7,684,779
Heifer Project International	6,122,554					802,834				433,406	4,362,584	523,730
HIAS	5,523,265						876,487	53,933			3,600,706	992,139
High Scope Educational Research Foundation	2,344,786					951,259					1,393,527	
Holt International Children's Services	5,195,040	6,891									1,040,739	4,147,410
Holy Land Christian Mission International	11,418,852					223,191			84,601		11,111,060	
Institute for International Development, Inc.	1,641,307					678,076		32,258	21,245		815,162	94,566
Institute of Cultural Affairs	2,413,910					18,065					2,118,338	277,507
Institute of International Education	92,619,238					21,164,386	6,250,622	6,719,056			2,158,554	56,326,620
International Agency for Apiculture Development	3,332										3,332	
International Aid	765,411									409,274	224,350	131,787
International Alliance for Children	206,657								60,050	857	52,530	93,220

Agency	Grand Total	U.S. Government Support						Other Govern-ments & Int'l Org.	Donated Services	Donated Supplies & Equipment	Private Contributions	Private Revenue
		A.I.D. Freight	P.L. 480 Freight	P.L. 480 Donated Food	U.S. Gov. Excess Property	U.S. Gov. Grants	U.S. Gov. Contracts					
International Child Care/USA[a]												
International Educational Development	31,000										31,000	
International Executive Service Corps	21,816,400					6,814,520			9,887,906		480,881	4,633,093
International Eye Foundation	1,678,696					891,772		158,175		137,574	459,336	31,739
International Federation for Family Life Promotion	634,626						601,449				33,177	
International Human Assistance Programs	4,466,430				50,846	2,606,230				1,335,225	436,198	37,931
International Institute of Rural Reconstruction	1,318,633					670,038		36,327	10,400		395,912	205,956
International Lifeline	162,154	2,490	12,240						36,569	59,658	51,197	
International Nursing Service Association	360,420					44,178		17,152		952	295,058	3,080
International Planned Parenthood Federation, Western Hemisphere	5,091,037					1,958,967		249,879			2,691,326	190,865
International Program for Human Resource Development	68,085										46,410	21,675
International Rescue Committee	16,490,702					7,328,000		1,542,000	120,779		6,750,685	749,238
International Social Service, American Branch	207,550										180,829	26,721
International Voluntary Services	1,676,190					722,927		32,789		204,212	716,262	
Katalysis Foundation[a]												
Helen Keller International	3,236,089					1,183,491					1,358,405	694,193
La Leche League International	2,551,943					110,209					94,519	2,347,215
Laubach Literacy International	2,660,540					12,246					557,020	2,091,274
Lutheran World Relief	21,394,033	599,315	959,247	2,804,655		1,280,097				6,870,588	8,572,050	308,081
MAP International	12,451,739	199,509								8,553,795	2,752,358	946,077
Meals for Millions/ Freedom from Hunger	2,474,950					650,000		133,696			1,610,613	80,641
Medical Care Development	3,121,608					835,469	387,056	889,958			329,901	679,224
Mennonite Central Committee	30,399,800	240,455						4,437,303		11,499,196	9,677,243	4,545,603
Mercy Corps International	2,927,417								18,540	2,389,910	515,375	3,592
Minnesota International Health Volunteers	104,028								11,259		90,632	2,137
The Moral Majority Foundation, Inc.[a]												
National Association of the Partners of the Alliance	4,246,613					3,119,025					976,159	151,429
National Council for International Health	959,071					654,845	6,750				51,379	246,097
National Council of Negro Women	468,886					321,533			125,800		20,048	1,505

Agency	Grand Total	U.S. Government Support						Other Governments & Int'l Org.	Donated Services	Donated Supplies & Equipment	Private Contributions	Private Revenue
		A.I.D. Freight	P.L. 480 Freight	P.L. 480 Donated Food	U.S. Gov. Excess Property	U.S. Gov. Grants	U.S. Gov. Contracts					
National 4-H Council	11,613,317					229,117					3,484,261	7,899,939
National Office for Social Responsibility in the Private Sector	848,711						818,484				3,000	27,227
National Rural Electric Cooperative Association	30,880,269					1,638,467	1,607,665	1,066,697				26,567,440
National Wildlife Federation	39,778,000					403,000					7,594,000	31,781,000
Nature Conservancy	65,092,000						6,510,000			9,326,000	44,743,000	4,513,000
Near East Foundation	1,039,475										467,051	572,424
New TransCentury Foundation	4,543,487					149,773	4,358,071				34,394	1,249
OBOR	75,266							21,260	19,000		34,150	856
Operation Bootstrap — Africa	308,840										303,365	5,475
Opportunities Industrialization Centers International	4,182,004						3,279,926	603,014			225,333	73,731
Overseas Education Fund	1,844,668					1,105,324					668,572	70,772
Pacific Ministries Development[a]												
Pan American Development Foundation	5,828,430	332,848			12,413	1,073,218		90,000	118,606	2,974,948	700,759	525,638
Partnership for Productivity	2,889,804					2,549,532		246,131			35,603	58,538
Pathfinder Fund	6,268,159					5,472,356					795,803	
People-to-People Health Foundation — Project Hope	19,298,239	54,514				6,192,629		345,577	604,632	6,467,096	4,954,458	679,333
The Trustees of the Phelps-Stokes Fund	4,652,018					1,391,095	2,166,221				305,993	788,709
Pioneer Women	2,994,952										2,500,866	494,086
Planned Parenthood Federation of America	29,870,865					18,287,761					10,802,975	780,129
Planned Parenthood of New York City	9,700,866					420,222		630,500			4,268,701	4,381,443
Planning Assistance, Inc.	172,192								27,875		144,317	
Population Council	19,590,148					7,567,694	812,120	2,142,768			6,051,343	3,016,223
Private Agencies Collaborating Together (PACT)	4,260,379					4,169,334					19,000	72,045
Program for Appropriate Technology in Health[a]												
Program for the Introduction and Adaptation of Contraceptive Technology (PIACT)	2,618,264					252,821		1,025,844			718,375	621,224
Project Concern International	5,142,419					646,834	107,741	280,307	1,636,330	233,033	1,694,501	543,673
Project ORBIS	3,580,789					1,046,994		597,909		1,033,411	895,418	7,057
Rare Animal Relief Effort, Inc.	311,238					73,289					237,949	
Rav Tov/International Jewish Rescue Organization	251,079					5,000					246,079	

		U.S. Government Support										
Agency	Grand Total	A.I.D. Freight	P.L. 480 Freight	P.L. 480 Donated Food	U.S. Gov. Excess Property	U.S. Gov. Grants	U.S. Gov. Contracts	Other Governments & Int'l Org.	Donated Services	Donated Supplies & Equipment	Private Contributions	Private Revenue
Dr. Jose P. Rizal-General Douglas MacArthur Memorial Foundation	1,184,072	26,121								1,106,860	15,221	35,870
Salesian Society	29,729,447					54,859				765,895	28,018,245	890,448
Salvation Army World Service Office	12,137,094					3,170,634			27,563		8,938,897	
Santa Fe de Bogota Foundation, Inc.	7,982										5,000	2,982
Save the Children Federation	39,965,838			104,683		14,219,042		3,720,196	28,213	62,513	20,631,534	1,199,657
Seton Institute*												
Sovereign Military Order of the Knights of Malta, Federal Association	205,463										190,302	15,161
Summer Institute of Linguistics	43,447,928						317,074				40,390,265	2,740,589
Technoserve	3,387,842					1,962,594	33,061	217,013	18,980	40,500	766,256	349,438
Town Affiliation Association of the U.S. – Sister Cities International	1,090,353					584,195			322,240		53,703	130,215
Trickle-Up Program, Inc.	88,921							7,000			77,241	4,680
Unitarian Universalist Service Committee	1,941,410										1,941,410	
United Israel Appeal	334,622,000	25,000			111,000	10,759,000					323,218,000	509,000
U.S. Feed Grains Council	11,004,499						3,429,107		736,383	4,317,630	2,295,000	226,379
United States Foundation for International Scouting	1,960,580					456,720					1,354,271	149,589
United Palestinian Appeal*												
United Way International*												
Volunteers in Overseas Cooperative Assistance	1,192,627					710,000			393,000		87,004	2,623
Volunteers in Technical Assistance (VITA)	3,597,396					2,197,975	984,549			32,500	262,415	119,957
Booker T. Washington Foundation	4,620,358					4,087,416						532,942
Winrock International Institute for Agricultural Development	5,385,500					300,483	1,615,006	190,843			1,397,800	1,881,368
Wisconsin-Nicaragua Partners of the Americas	2,046,859					27,581			18,275	2,000,000	1,003	
World Concern Development Organization	11,630,673								89,375	3,939,836	7,432,332	169,130
World Education, Inc.	1,194,514					668,188	230,911		75,000		199,039	21,376
World Rehabilitation Fund	1,438,457					243,118					1,142,938	52,401
World Relief Corporation	14,391,723	8,719				3,695,338		3,530,210		518,002	6,465,895	173,559
World Vision Relief Organization	25,740,124	596,658	207,106	182,500	22,252,652	470,000		652,400	63,810	791,153	323,845	
World Wildlife Fund-U.S.	10,684,410						341,937		977,106		8,115,161	1,250,206
Young Men's Christian Association of the USA, National Board	21,546,853					815,732					2,162,828	18,568,293

Summary of Expenditures

U.S. Voluntary Agencies Registered with the
Agency for International Development

Agency	Grand Total	Overseas Expenditures	Domestic Expenditures	Administration/ Management Costs	Publicity & Fund Raising
Total All Agencies	2,329,810,988	1,823,140,080	287,422,896	139,551,322	79,696,690
ACCION International/AITEC	1,691,760	1,406,038	87,117	141,179	57,426
Adventist Development and Relief Agency	44,292,675	39,788,961		2,745,878	1,757,836
African-American Institute	15,292,272	13,721,136		1,541,498	29,638
African-American Labor Center	6,723,478	5,633,291		1,090,187	
African Medical and Research Foundation	6,812,032	6,243,644		526,471	41,917
African Wildlife Leadership Foundation	1,042,446	784,739		168,196	89,511
AFRICARE, Inc	5,056,252	4,086,273		893,919	76,060
Aga Kahn Foundation, USA	1,981,408	1,432,536	151,066	371,587	26,219
Agriculture Cooperative Development International	6,058,497	4,842,350	3,148	1,212,999	
Aid to Artisans	166,507	159,961		6,546	
America's Development Foundation	498,489	440,349		54,416	3,724
America-Mideast Educational & Training Services	29,004,512	27,475,410	58,323	1,470,779	
American Association for Bikur Cholim Hospital	743,969	578,373		37,360	128,236
American Committee for Shaare Zedek Hospital in Jerusalem	5,773,636	3,134,557		1,353,806	1,285,273
American Dentists in Foreign Service	243,411	233,859		9,552	
American Friends of Kiryat Sanz Hospital	2,936,940	2,428,204		143,673	365,063
American Friends Service Committee	16,505,928	4,644,263	7,748,271	2,432,654	1,680,740
American Institute for Free Labor Development	14,183,989	10,096,980	1,272,226	2,814,783	
American Jewish Joint Distribution Committee	44,108,570	41,019,053	100,100	2,989,417	
American Leprosy Missions	3,797,377	2,628,351		267,499	901,527
American Near East Refugee Aid	1,989,499	1,661,168	53,299	180,105	94,927
American ORT Federation	13,273,935	10,924,259	1,439,217	352,288	558,171
American Red Magen David for Israel	3,553,067	2,693,967	33,258	213,101	612,741
American Schools of Oriental Research	687,968	210,687	388,649	79,020	9,612
Americares Foundation, Inc	20,752,895	20,664,522	14,596	11,856	61,921
Amigos de las Americas	1,054,623	805,839		171,171	77,613
Amit Women	3,741,000	2,189,000	937,000	413,300	202,000
Armenian General Benevolent Union	1,922,259		1,472,901	430,468	18,890
The Asia Foundation	23,099,838	22,100,652		963,947	35,239
Asian-American Free Labor Institute	5,293,957	3,617,686		1,676,271	
Simon Bolivar Foundation	620,767	544,548		76,219	

NOTE These data represent the 12 month period of the fiscal year of the registered voluntary agencies and vary from agency to agency. Data has been abstracted from the Statement of Support, Revenue and Expenditures (C-100) prepared by registered Voluntary Agencies.

*Recently registered; no report due.

Agency	Grand Total	Overseas Expenditures	Domestic Expenditures	Administration/ Management Costs	Publicity & Fund Raising
Boys' Clubs of America	10,378,821	123,182	7,298,808	727,400	2,729,431
Brother's Brother Foundation	14,584,747	14,456,222	*	85,625	42,900
Pearl S. Buck Foundation	3,120,533	2,271,466	233,338	301,100	314,629
Paul Carlson Medical Program	436,771	374,590		51,885	10,296
Catholic Relief Services	407,384,000	398,132,000		8,136,000	1,116,000
Center for Applied Linguistics	3,603,228	1,664,207	1,173,812	765,209	
Center for Development and Population Activities	1,202,415	203,598	541,006	395,417	62,394
Chol-Chol Foundation for Human Resource Development	82,048	47,825	*	20,000	14,223
Christian Children's Fund	64,099,380	50,203,216	1,653,641	6,013,169	6,229,354
Church World Service	43,120,272	31,514,268	5,300,058	3,285,403	3,020,543
Community Development Foundation	72,272	72,272			
Community Systems Foundation	269,594	151,454	26,578	91,562	
Consortium for Community Self-Help	6,024	5,866		158	
Cooperative for American Relief Everywhere — CARE)	271,192,000	257,162,000		5,144,000	8,886,000
Cooperative Housing Foundation	3,473,958	1,855,432	348,292	1,270,234	
Cooperative League Fund	277,890	161,267	87,528	26,067	3,028
Cooperative League of the U.S.A.	4,772,385	2,832,529		1,939,856	
Coordination in Development (CODEL)	1,798,521	1,260,167	238,682	250,641	49,031
Council of International Programs for Youth Leaders and Social Workers	697,702		255,766	434,369	7,567
Credit Union National Association	19,319,942	3,458,184	8,318,097	6,652,127	891,534
Dental Health International	22,856	21,000	410	1,446	
Direct Relief International	7,268,967	6,976,332		191,261	101,374
Domestic/Foreign Missionary Foreign Society for the Protestant Episcopal Church in the U.S.A.	42,279,000	13,743,000	21,504,000	5,430,000	1,602,000
Thomas A. Dooley Foundation/Intermed-USA	955,382	637,628		169,155	148,599
Tom Dooley Heritage	278,736	263,665		7,257	7,814
El Congreso Nacional de Asuntos Colegiales (CONAC)	334,874	5,000	131,126	198,748	
Elwyn Institute[a]					
Esperanca	1,114,882	929,985		96,776	88,121
Experiment in International Living	11,610,786	7,807,252	909,244	2,084,197	810,093
Eye Bank International	1,229,139	24,076	1,073,021	103,758	28,284
Eye Care, Inc.	822,613	626,726		39,559	156,328
Feed the Children[a]					
Food for the Hungry	13,949,567	10,711,677	1,256,716	1,135,627	845,547
Food for the Poor[a]					

Agency	Grand Total	Overseas Expenditures	Domestic Expenditures	Administration/ Management Costs	Publicity & Fund Raising
Foster Parents Plan	14,207,576	10,218,772		1,461,575	2,527,229
Foundation for the Peoples of the South Pacific	1,802,729	1,588,283		204,149	10,297
Friends of Children	686,226	658,013	15,797	7,198	5,218
Friends of Shanta Bhawan[a]					
Global Water	376,281	300,000		72,718	3,563
Goodwill Industries of America	3,802,304	271,658	2,794,023	726,817	9,806
Hadassah the Woman's Zionist Organization of America	41,407,269	30,897,282	3,481,008	4,308,302	2,720,677
Heifer Project International	5,365,432	3,519,875	666,203	334,412	844,942
HIAS	4,229,752	1,765,301	1,740,963	420,361	303,127
High Scope Educational Research Foundation	2,526,805	479,663	1,375,321	671,821	
Holt International Children's Services	4,875,352	2,504,737	1,806,099	309,504	252,012
Holy Land Christian Mission International	11,549,719	6,961,026	1,025,339	675,669	2,887,685
Institute for International Development, Inc.	1,810,300	1,305,129	315,394	131,466	58,311
Institute of Cultural Affairs	2,547,734	383,202	1,929,266	135,522	99,744
Institute of International Education	91,719,443	49,686,299	39,716,795	1,756,753	559,596
International Agency for Apiculture Development	3,515	1,188		2,327	
International Aid	298,411	167,545	5,718	108,906	16,242
International Alliance for Children	212,569	62,794	97,959	51,816	
International Child Care/USA[a]					
International Educational Development	31,000	8,000	20,000	3,000	
International Executive Service Corps	21,549,807	19,131,166		2,314,150	104,491
International Eye Foundation	2,736,271	2,632,552		42,373	61,346
International Federation for Family Life Promotion	653,905	422,503	38,528	187,425	5,449
International Human Assistance Programs	4,673,871	4,259,458		328,473	85,940
International Institute of Rural Reconstruction	1,455,864	1,030,747		311,552	113,565
International Lifeline	127,113	112,872		13,824	417
International Nursing Services Association	369,412	65,071	224,178	31,359	48,804
International Planned Parenthood Federation/Western Hemisphere	5,004,681	3,767,097		1,161,110	76,474
International Program for Human Resource Development	86,671	25,438	45,000	16,233	
International Rescue Committee	16,060,614	7,311,402	7,335,867	794,113	619,232
International Social Service, American Branch	160,363		132,010	25,754	2,599
International Voluntary Services	1,676,783	1,472,107		187,429	17,247
Katalysis Foundation[a]					
Helen Keller International	2,629,490	1,889,380	254,728	264,441	220,941
La Leche League International	2,280,866	10,314	1,419,481	368,475	482,596
Laubach Literacy International	2,235,842	130,915	1,705,111	266,113	133,703

Agency	Grand Total	Overseas Expenditures	Domestic Expenditures	Administration/ Management Costs	Publicity & Fund Raising
Lutheran World Relief	18,449,887	17,434,230		827,601	188,056
MAP International	14,441,610	13,513,380	•	282,722	645,508
Meals for Millions/Freedom from Hunger	2,242,861	1,160,139	573,668	201,152	307,902
Medical Care Development	2,424,502	530,424	1,366,863	527,215	
Mennonite Central Committee	30,020,499	25,994,197	1,645,770	1,770,331	610,201
Mercy Corps International	2,958,976	2,686,226	142,459	81,354	48,937
Minnesota International Health Volunteers	104,564	93,858		9,729	977
The Moral Majority Foundation, Inc.[a]					
National Association of the Partners of the Alliance	4,090,036	3,343,549		658,129	88,358
National Council for International Health	979,097	108,619	617,934	250,666	1,878
National Council of Negro Women	467,381	467,381			
National 4-H Council	11,268,137	707,093	9,052,456	855,154	653,434
National Office for Social Responsibility in the Private Sector	827,915	270,949	390,379	166,587	
National Rural Electric Cooperative Association	30,402,935	3,685,621	23,649,641	3,067,673	
National Wildlife Foundation	39,044,000		34,549,000	1,606,000	2,889,000
Nature Conservancy	27,397,000	1,646,000	18,638,000	2,151,000	4,962,000
Near East Foundation	1,050,753	772,255		211,525	66,973
New TransCentury Foundation	4,548,973	3,552,193	487,902	508,878	
OBOR	91,199	62,738		20,563	7,898
Operation Bootstrap-Africa	267,480	168,418		35,135	63,927
Opportunities Industrialization Centers International	3,059,008	2,367,436	72,501	576,698	42,373
Overseas Education Fund	1,889,595	1,085,839	143,991	575,974	83,791
Pacific Ministries Development[c]					
Pan American Development Foundation	5,722,043	5,307,743		304,178	110,122
Partnership for Productivity	2,620,087	2,151,330	14,141	454,616	
Pathfinder Fund	6,541,289	4,857,470		1,587,438	96,381
People-to-People Health Foundation, Project HOPE	18,956,202	15,342,901	1,646,514	741,550	1,225,237
The Trustees of the Phelps-Stokes Fund	4,827,052		3,883,562	819,598	123,892
Pioneer Women	2,879,746	2,777,706	65,783	35,036	1,221
Planned Parenthood Federation of America	30,291,799	18,349,667	5,663,875	3,961,516	2,316,741
Planned Parenthood of New York City	9,176,491	282,000	7,784,263	529,460	580,768
Planning Assistance, Incorporated	196,271	142,780	3,022	50,469	
Population Council	18,487,317	6,586,466	6,345,572	5,431,983	123,296
Private Agencies Collaborating Together (PACT)	4,266,029	3,950,794		280,334	34,901
Program for Appropriate Technology in Health[a]					

Agency	Grand Total	Overseas Expenditures	Domestic Expenditures	Administration/ Management Costs	Publicity & Fund Raising
Program for the Introduction and Adaptation of Contraceptive Technology (PIACT)	2,234,629	1,913,233		321,396	
Project Concern International	5,039,088	3,911.532	249,183	341,017	537,356
Project ORBIS	3,910,180	3,404,799		195,012	310,369
Rare Animal Relief Effort, Inc.	293,182	226,179		52,542	14,461
Rav Tov International Jewish Rescue Organization	259,703	68,688	108,990	71,332	10,693
Dr. Jose P. Rizal/General Douglas MacArthur Memorial Foundation	1,336,796	1,309,176		9,668	17,952
Salesian Society	28,870,198	23,617,358		557,516	4,695,324
Salvation Army World Service Office	10,591,685	10,339,218		252,467	
Santa Fe De Bogota Foundation, Inc.	10,902	2,221		8,681	
Save the Children Federation	37,750,382	22,873,490	7,695,094	3,608,317	3,573,481
Seton Institute[a]					
Sovereign Military Order of the Knights of Malta, Federal Association	173,997		87,522	85,881	594
Summer Institute of Linguistics	42,010,056	33,112.440	6,991,812	1,498,873	406,931
Technoserve	3,260,367	2,595,309		587,354	77,704
Town Affiliation Association of the U.S.—Sister Cities International	1,040,435	700,905		325,220	14,310
Trickle-Up Program	75,905	69,945		3,189	2,771
Unitarian Universalist Service Committee	1,850,693	673,989	760,001	123,963	292,740
United Israel Appeal	314,183,000	312,460,000		1,723,000	
U.S. Feed Grains Council	10,450,238	8,483,120	1,051,284	528,853	386,981
United States Foundation for International Scouting	1,722,008	1,632,238		89,770	
United Palestinian Appeal[a]					
United Way International[a]					
Volunteers in Overseas Cooperative Assistance	1,156,638	651,367		505,271	
Volunteers in Technical Assistance (VITA)	3,607,680	2,874,017		682,333	51,330
Booker T. Washington Foundation	4,483,216	61,079	2,874,142	1,486,438	61,557
Winrock International Institute for Agricultural Development	6,667,300	4,183,500	710,400	1,260,200	513,200
Wisconsin-Nicaragua Partners of the Americas	2,056,513	2,026,657		29,856	
World Concern Development Organization	11,436,421	7,986,632	1,111,577	273,043	2,065,169
World Education, Inc.	1,091,416	1,003,259		53,906	34,251
World Rehabilitation Fund	1,607,592	1,320,702		51,395	235,495
World Relief Corporation	13,842,240	6,722,158	4,684,346	600,587	1,835,149
World Vision Relief Organization	25.740,984	25,567,889		103,855	69,240
World Wildlife Fund-U.S.	9,343,761	4,580,282	2,464,759	1,017,512	1,281,208
Young Men's Christian Association of the U.S.A., National Board	21,405,818	2,439,765	11,642,408	6,939,620	384,025

Summary of Grants for PVOs

During 1982-83, the types of A.I.D. grant relationships available to U.S. PVOs from FVA/PVC and other A.I.D. bureaus, offices and Missions are described in the following. Registration with A.I.D. is a prerequisite for application for each.

Field Support for PVOs

With funding provided both through U.S.A.I.D. Missions and A.I.D./W regional bureaus, A.I.D. deals primarily with private and voluntary organizations at the country level through field support grants, a term which encompasses both operational program grants (OPGs) and co-financing program grants. In addition, there are two other modes which are occasionally used — contracts and cooperative agreements. The funding instrument chosen is determined by the intended relationship based on A.I.D.'s program objectives, not on the nature of the recipient (i.e. PVO).

Matching Grants

Matching grants are awarded to PVOs for a clearly conceived, evaluable, field-oriented program to be carried out in a number of countries, which is consistent with A.I.D.'s legislative mandate and supports a clearly defined, delineated program. Such a program may be as broad as the overall scope of the PVO's work or as specific as community-based health services or small enterprise development. The matching grant will normally allow a PVO to expand its program to new places and initiate new projects. Grants are awarded to PVOs with well-established development programs and with demonstrated private fund-raising ability. The grant may have a term of up to three years and is matching in the sense that A.I.D. will pay no more than 50% of the cost of the program. Through the Matching Grant, A.I.D. supports small enterprise development, local institution-building, and technology adaptation and transfer, directly and as they result from programs in agriculture and rural development, health, education and energy. Guidelines and selection criteria for this grant category are currently undergoing minor modification to reflect the Agency's nine years of experience with the program and the reality of federal budget reductions.

Partnership Grant

Partnership grants are essentially a refinement and an extension of the Matching Grant concept. To qualify, the PVO must have a successful record of implementing multiple, on-going relationships with the Agency. These grants are authorized for a five-year period, and are expected to enhance the PVO's role in addressing development priorities shared by A.I.D. Partnership grants are also matched in the sense that A.I.D. pays up to 50% of the cost of the activity.

Child Survival Grant

Beginning in FY 1985, competitive grants will be awarded to PVOs engaged in health programming as part of their international development efforts. Project activities are designed to demonstrably enhance the health status of children living in target areas through the delivery of a select number of simple, cost-effective technologies. Oral rehydration therapy and immunizations are the primary interventions delivered through the Child Survival grants. At least 25% of the project costs must be borne by the grantee.

Development Education Program

A competitive, matching small grants program, initiated in FY 1982, to increase the awareness of the American public of the social, political, technical and economic factors pertaining to world hunger and related development issues by supporting private and voluntary organizations in their efforts. The Development Education Program is targeted to program initiatives which facilitate broad public participation and imaginative educational approaches and to create outreach efforts directed to the media, educational associations and other important influence groups.

Other A.I.D. Relationships

Private and voluntary organizations carry out particular technical programs in fields of interest to A.I.D., such as family planning, health, energy and the like. For example, through the Office of Foreign Disaster Assistance, grants are provided to PVOs in support of disaster relief and rehabilitation activities. PVOs are also among the grantees under the American Schools and Hospitals Abroad Program. Consortia have proven to be effective vehicles for assistance to local projects in LDCs and A.I.D. supports PVO consortia in their efforts to promote coordinated planning for overseas development programs through the design, implementation and evaluation of small projects undertaken by member agencies on a cost-sharing basis. A.I.D. supports cooperative development organizations to enable them to play an important role in the development of LDC cooperatives by organizing local cooperatives and credit unions, strengthening cooperative federations, training cooperative managers and technicians, and encouraging the use of cooperative structures in development projects. These suppoort grants also strengthen the ability of U.S. cooperatives to attract and channel additional bilateral, multilateral and cooperative development funding. The Ocean Freight Reimbursement program reimburses PVOs for shipment of purchased or donated commodities used in their relief and development programs overseas.

Percentage of Funds Received from Non-U.S. Government Sources in Support of International Programs

The International Security and Development Cooperation Act of 1981 amended Section 123(g) of the Foreign Assistance Act of 1961 to establish a minimum non-U.S. Government (U.S.G.) funding requirement for the programs of U.S. Private and Voluntary Organizations (PVOs) funded from certain specified appropriation accounts. Stated simply, beginning January 1, 1985, PVOs must obtain at least 20 percent of their total funding for their international program from non-U.S.G. sources in order to qualify for grants set aside for PVOs (e.g., matching, operational program and co-financing grants). These grants are used to support PVOs as independent entities in their own right. A.I.D. also deals with PVOs as intermediaries in conducting A.I.D.'s program. These forms of support, such as institutional support grants to the labor institutes, family planning agencies and cooperative development organizations, are excluded from the 20% non-U.S.G. funding requirements.

A calculation of each registered PVO's status vis-a-vis this 20% requirement will be made annually based on documentation submitted as part of the annual recertification process for registration with A.I.D. Listed below are the percentage calculations for each PVO, computed on the basis of the 1984 audited financial documentation submitted to A.I.D. For purposes of determining PVO grant eligibility, A.I.D. maintains a separate listing which is updated as new financial information is submitted by the PVOs. Next year, percentages shown in this section will be based on the new private resource test as enacted in the FY 1986 Foreign Assistance Appropriations Act.

	%
Accion International/AITEC	62
Adventist Development & Relief Agency	58
African-American Institute	26
African-American Labor Center	100
African Medical & Research Foundation	88
African Wildlife Leadership Foundation	100
AFRICARE	22
Aga Khan Foundation, USA	100
Agricultural Cooperative Development International	6
Aid to Artisans	39
America's Development Foundation	100
America-Mideast Educational & Training Service (AMIDEAST)	70
American Association for Bikur Cholim Hospital, Jerusalem	100
American Committee for Shaare Zedek Hospital in Jerusalem	100
American Dentists for Foreign Service	100
American Friends of Kiryat Sanz Hospital	100
American Friends Service Committee	99
American Institute for Free Labor Development	45
American Jewish Joint Distribution Committee	100
American Leprosy Missions	100
American Near East Refugee Aid	100
American ORT Federation	100
American Red Magen David for Israel	100
American Schools of Oriental Research	79
Americares Foundation	100
Amigos de las Americas	100
AMIT Women	100
Armenian General Benevolent Union	0
The Asia Foundation	52
Asian-American Free Labor Institute	1
Simon Bolivar Foundation	28
Boys' Clubs of America	100
Brother's Brother Foundation	100
Pearl S. Buck Foundation	87
Paul Carlson Medical Program	100
Catholic Relief Services	70
Center for Applied Linguistics	0
Centre for Development & Population Activities	31
Chol-Chol Foundation for Human Development	100
Christian Children's Fund	100
Church World Service	98
Community Development Foundation	100
Community Systems Foundation	100
Consortium for Community Self Help	100
Cooperative for American Relief Everywhere (CARE)	54
Cooperative Housing Foundation	88
Cooperative League Foundation	100
Cooperative League of the U.S.A.	26
Coordination in Development (CODEL)	53
Council of International Programs for Youth Leaders & Social Workers	39
Credit Union National Association	100
Dental Health International	100
Direct Relief International	96
Domestic/Foreign Missionary Society for the Protestant Episcopal Church in the U.S.A.	78
Thomas A. Dooley Foundation/Intermed-USA	89
Tom Dooley Heritage	81
El Congresso Nacional de Asuntos Colegiales (CONAC)	100
Elwyn Institute[a]	
Esperanca, Inc.	66
Experiment in International Living	85
Eye Bank International	100
Eye Care, Inc.	100
Feed the Children[a]	
Food for the Hungry	60
Food for the Poor[a]	
Foster Parents Plan	97
Foundation for the Peoples of the South Pacific	30
Friends of Children	100
Friends of Shanta Bhawan[a]	
Global Water	100
Goodwill Industries of America	6
Hadassah—The Women's Zionist Organization of America	100
Heifer Project International	73
HIAS	100
High Scope Educational Research Foundation	2
Holt International Children's Services	100
Holy Land Christian Mission International	98

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[a] Recently registered, no report due

Institute for International Development Inc.	62
Institute of Cultural Affairs	98
Institute of International Education	99
International Agency for Apiculture Development	100
International Aid	100
International Alliance for Children	100
International Child Care/USA[a]	
International Educational Development	100
International Executive Service Corps	41
International Eye Foundation	36
International Federation for Family Life Promotion	100
International Human Assistance Programs	20
International Institute of Rural Reconstruction	53
International Lifeline	100
International Nursing Service Association	47
International Planned Parenthood Federation/ Western Hemisphere	61
International Program for Human Resource Development	100
International Rescue Committee	55
International Social Service, American Branch	0
International Voluntary Services	51
Katalysis Foundation[a]	
Helen Keller International	45
La Leche League International	0
Laubach Literacy International	92
Lutheran World Relief	69
MAP International	93
Meals for Millions/Freedom from Hunger	62
Medical Care Development	100
Mennonite Central Committee	98
Mercy Corps International	100
Minnesota International Health Volunteers	100
The Moral Majority Foundation, Inc.[a]	
National Association of the Partners of the Alliance	30
National Council for International Health	72
National Council of Negro Women	6
National 4-H Council	72
National Office for Social Responsibility in the Private Sector	1
National Rural Electric Cooperative Association	69
National Wildlife Federation	0
Nature Conservancy	100
Near East Foundation	100
New TransCentury Foundation	0
OBOR	100
Operation Bootstrap-Africa	100
Opportunities Industrialization Centers International	100
Overseas Education Fund	48
Pacific Ministries Development[a]	
Pan American Development Foundation	51
Partnership for Productivity	27
Pathfinder Fund	100
People-to-People Health Foundation (Project HOPE)	35
The Trustees of the Phelps-Stokes Fund	0
Pioneer Women	100
Planned Parenthood Federation of America	3
Planned Parenthood of New York City	100
Planning Assistance Inc.	48
Population Council	60
Private Agencies Collaborating Together (PACT)	2
Program for Appropriate Technology in Health[a]	
Program for the Introduction and Adaptation of Contraceptive Technology (PIACT)	88
Project Concern International	65
Project ORBIS	66
Rare Animal Relief Effort, Inc.	75
Rav Tov/International-Jewish Rescue Organization	95
Dr. Jose P. Rizal-General Douglas MacArthur Memorial Foundation	83
Salesian Society	100
Salvation Army World Service Office	41
Santa Fe de Bogota Foundation, Inc.	100
Save the Children Federation	49
Seton Institute[a]	
Sovereign Military Order of Malta, Federal Association	0
Summer Institute of Linguistics	100
Technoserve	38
Town Affiliation Association of the U.S. — Sister Cities International	54
Trickle-Up Program, Inc.	100
Unitarian Universalist Service Committee	100
United Israel Appeal	96
U.S. Feed Grains Council	100
U.S. Foundation for International Scouting	73
United Palestian Appeal[a]	
United Way International[a]	
Volunteers in Overseas Cooperative Assistance	7
Volunteers in Technical Assistance (VITA)	34
Booker T. Washington Foundation	0
Winrock International Institute for Agriculture Development	92
Wisconsin-Nicaragua Partners of the Americas	0
World Concern Development Organization	100
World Education, Inc.	11
World Rehabilitation Fund	87
World Relief Corporation	91
World Vision Relief Organization	100
World Wildlife Fund—U.S.	100
Young Men's Christian Association of the U.S.A., National Board	100

Senator INOUYE. We would like to submit a lot of questions. If we asked all of them now, we would be here until 6:00 this evening. You have other functions and we have other functions to perform.

So may I at this point thank all of you for helping us. Once again, I would like to assure you that we are not trying to be nitpickers but just anticipating what our colleagues will be asking and warning you that you should be prepared.

AFRICAN FOOD PRODUCTION

Mr. LOVE. Mr. Chairman?

Senator INOUYE. Yes, sir.

Mr. LOVE. Going back to your question on food, would you like us to submit for the record a detailed breakdown by country on what has transpired in the food area? You seemed interested, and we would be very happy to do that.

Senator INOUYE. Yes, sir. I was surprised and I think also Senator Kasten was surprised, because we get the impression that they are just starving all over the place.

Mr. LOVE. There are some pocket problems, but in most of the areas that were hit by the drought, things have turned around dramatically.

Senator INOUYE. We would like to have that, because I am certain my colleagues would be interested. Whenever we speak of Sahel, Sahel translates itself to these horrible pictures that we see on the screen. That is Sahel, the distended stomachs, the sunken eyes and spindly arms. Apparently, from what you tell me, that is not the picture in Sahel now.

Mr. LOVE. I am not saying there are not pockets in individual countries; there are. But for the most part, there has been a major turnaround, except in those specific countries that I mentioned. Most of those are beset by security and fighting problems, and in some cases, by substantial policy issues, such as in Ethiopia.

[The information follows:]

AFRICAN FOOD PRODUCTION: AN OVERVIEW

Grain production in Sub-Saharan[*] Africa reached an all time record high in 1986. Total output is estimated at 55 million tons representing a three percent increase over 1985 production and a 31 percent increase over 1984 production. Every region and almost every country has had some increase in production. Where 1986 production was down, such as in Senegal, gains in other countries were more than offsetting. Total grain production is now more than 50 percent above the level of the late 1960's. Per capita output, however, has remained about constant to slightly declining over the period.

While favorable weather made major contributions to the yield of the more significant crops such as corn and sorghum, other factors were also critical. In the early 1980's producer prices for grain rose substantially due both to policy reforms and to shortages. When the good rains came, farmers were anxious to respond and the area planted jumped by 10 percent. While much of the increase in yield from 1983 to 1986 is attributable to the weather, some portion of the increase can be credited to new technology such as the new hybrid sorghum varieties used in the Sudan and widespread adoption of higher yielding maize varieties in Southern Africa as well as the adoption of policies providing the farm community with more incentives to produce.

In East Africa, both Kenya and Sudan had record harvests while Somalia reversed past trends. In Sudan, output is estimated to be up 12 percent from last year's record mainly because of the expanded area planted to sorghum and the use of better varieties in the modern rain-fed sector. Kenya's record can be attributed to a guaranteed producer price increase in real terms, larger planted area, increased use of fertilizer and improved seeds, combined with favorable weather. Somalia has enacted a number of key policy reforms and farmers are reacting positively. Even though rainfall patterns have been less than desirable, the country's food supply position is satisfactory with the exception of the continued need for external assistance for refugee feeding programs.

In West Africa, countries making very large gains included Burkina Faso and Nigeria. While weather was the major factor in Burkina Faso, policy changes were a major stimulus to increased production in Nigeria. Niger has had two successive good harvests and is exporting some coarse grains. There have been two record harvests in Mali and while much of the increased production has been due to favorable weather, we have been encouraged by the indications of a positive effect following the relaxation of controls on the private sector. An evaluation in progress suggests a linkage between a producer price increase and farmer adoption of high input production technologies for maize.

Southern Africa had very high levels of production in 1985-86, particularly in their corn crop. The size of the surpluses of white corn in Zimbabwe and Malawi have no doubt led to a leveling and perhaps a slight projected decline in production in these countries. Ongoing evaluations are crediting the freer markets and decontrol of producer prices in Zambia with increased maize planting and greater crop diversification by farmers.

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[*] Sub-Saharan Africa refers to all countries except South Africa which are south of the Saharan Desert.

The recovery from the severe drought of 1983 and 1984 is most dramatic in the Sahel-Sudano Region and in Zimbabwe. Cereal production in these countries is up over 65 per cent as shown in the following table.

CEREAL PRODUCTION RECOVERY FROM 1983-84 DROUGHT
Selected Sub-Saharan Countries

Name	1983-84 average	1986
	------(000 MT)-------	
The Gambia	46	144
Senegal	549	963
Mauritania	24	119
Mali	730	1782
Burkina Faso	957	1925
Niger	1410	1825
Chad	433	754
Sudan	2135	4377
Ethiopia	4920	5700
Somalia	352	646
Sahel-Sudano Region (sub-total)	11556	18235
Zimbabwe	1360	3134
Mozambique	322	450
Twelve Country Total	13238	21819

Source: FAO Data

While the total region of Sub-Saharan Africa is approaching a reasonable level of food production at the current time, major local shortages and distribution problems remain. Whenever civil disturbances exist, such as the turmoil in Mozambique, severe food crisis continues. Rural insurgency prevents normal cultivation and restricts distribution of inputs and food. Thus, while surpluses are stockpiled in neighboring Zimbabwe, areas of Mozambique have a severe crisis. The conflicts in Angola and in the Horn of Africa also contribute to human suffering which can only be met through distribution of food aid to help soften the pain of human suffering. We continue to provide such assistance either directly when appropriate or through multi-lateral organizations when necessary.

Distribution of local production is also hampered by the poorly developed transportation system. With the poor roads and lack of adequate railroads, it is difficult and expensive to move food from surplus areas to areas of need. It is frequently cheaper, if foreign exchange is available, to supply coastal cities with imported food than to move local grains from the interior regions. This importation, together with food aid in times of extreme shortage, has introduced a problem of changing consumption patterns with which we continue to struggle. Sub-Saharan Africa produces a surplus of corn, sorghum, millet and similar grains but fails to meet a growing demand for wheat and rice. These latter grains take less consumer preparation time and are increasingly desired by the expanding urban population. We are working on this problem in at least three ways: 1) assisting with efforts to develop new, higher yielding varieties which are locally adaptable; 2) supporting the development of small processing units to produce local foods from coarse grains that are in a form minimizing the work in the household; and 3) where economically appropriate, encouraging the production of export crops, such as coffee, cocoa or rubber, to generate foreign exchange in order to import adequate food.

The extreme crisis in food production of only three years ago has largely passed. We can credit a fair amount of the increase to the return of the rains and a significant portion of the change to policy reforms, to new varieties and to better institutional arrangements. We have learned a great deal from the experience but must not relax if the lessons learned are to be profitable.

We realize that African soils are fragile and weather conditions uncertain. We are continuing our Famine Early Warning System and support for other similar systems so that drought or locust swarms will not catch us and the people of the area totally unprepared.

We will continue to encourage the adoption of reforms that will provide the right environment for food self-reliance throughout the continent. We have seen the positive results of policy changes which allow the market to pass incentives to farmers. We also know that short term natural disasters can be far stronger forces than the market incentive systems and that such disasters may affect new technologies more severely than traditional crops. But we remain steadfast in our conviction that increased market incentives and new technology are the long-term answer to the continent's food problems. As we look ahead, we plan to place increasing emphasis on improvement in agricultural marketing to allow within country and intra-regional trade to help solve the currently observed food distribution problem.

Attached are: a) Table of Food Production, Importations and Surpluses for each African country, b) Graph of Sub-saharan cereal production and population growth, c) Graph of Sahel-Sudano cereal production and population growth, and d) Map illustrating Africa Drought Patterns in 1983.

CEREAL PRODUCTION, IMPORTATION, AND SURPLUSES
Sub-Saharan Africa 1986 (000 MT)

Country	Production Total	 % past 5yr. av.	Anticipated Imports *	Availability for Export or Purchase **
Angola	340	101	262	-
Benin	514	120	63	15
Botswana	20	86	204	-
Burkina Faso	1925	153	97	130
Burundi	464	113	13	-
Cameroon	914	98	196	-
Cent.Afr.Rep.	106	99	43	-
Chad	754	167	11	30
Congo	10	111	109	-
Cote d'Ivoire	991	104	540	200
Ethiopia	5700	106	497	-
The Gambia	144	151	46	-
Ghana	825	129	126	-
Guniea	604	112	123	-
Guniea Bissau	200	131	13	-
Kenya	3258	129	171	630
Lesotho	132	92	153	-
Liberia	295	106	127	-
Madagascar	2293	103	172	-
Malawi	1383	95	36	104
Mali	1782	139	77	170
Mauritania	119	202	92	-
Mozambique	450	95	500	-
Niger	1825	113	38	50
Nigeria	12250	125	500	-
Rwanda	316	102	40	-
Senegal	963	116	415	25
Sierra Leone	559	99	116	-
Somalia	646	145	105	-
Sudan	4377	151	654	1150
Swaziland	100	118	45	-
Tanzania	3858	125	194	-
Togo	313	91	72	-
Uganda	1764	144	14	30
Zaire	1115	109	181	-
Zambia	1200	121	140	-
Zimbabwe	3134	131	84	2009
Total	55643	121	6269	4543

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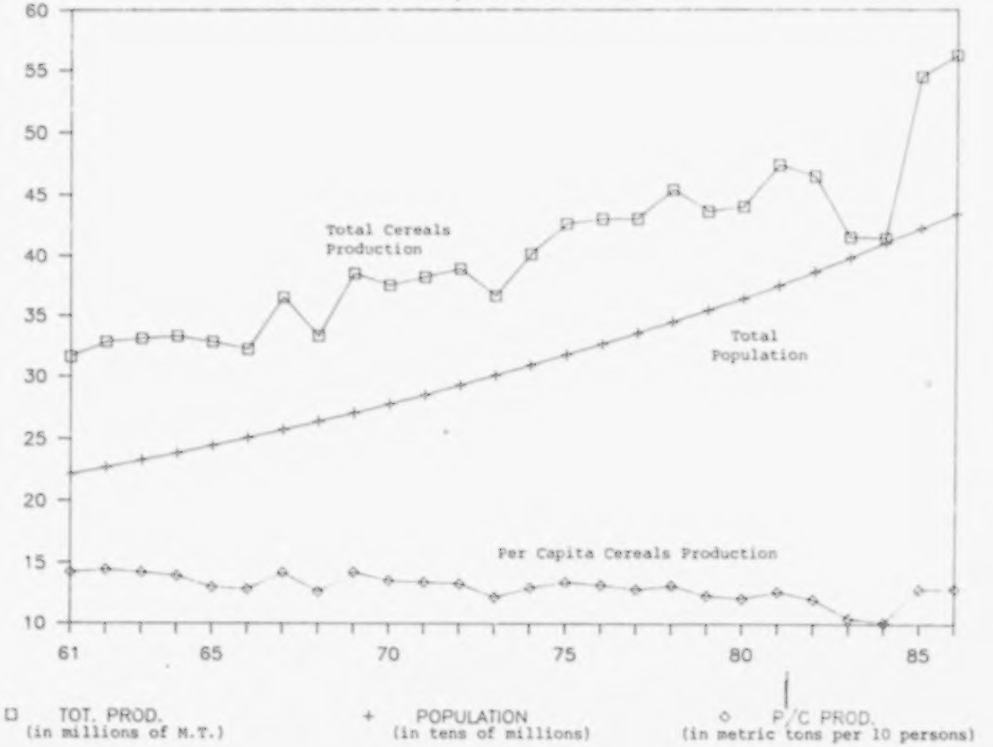
* Expected commercial imports plus pledged food aid. Most of this tonnage is wheat and rice.

** All of this tonnage is coarse grains and an amount above seed and carry-over needs.

Source: FAO Data.



SUBSAHARAN AFRICA
(EXCEPT SOUTH AFRICA)

CEREALS PRODUCTION 1961–86

POPULATION GROWTH/PER CAPITA PRODUCTION

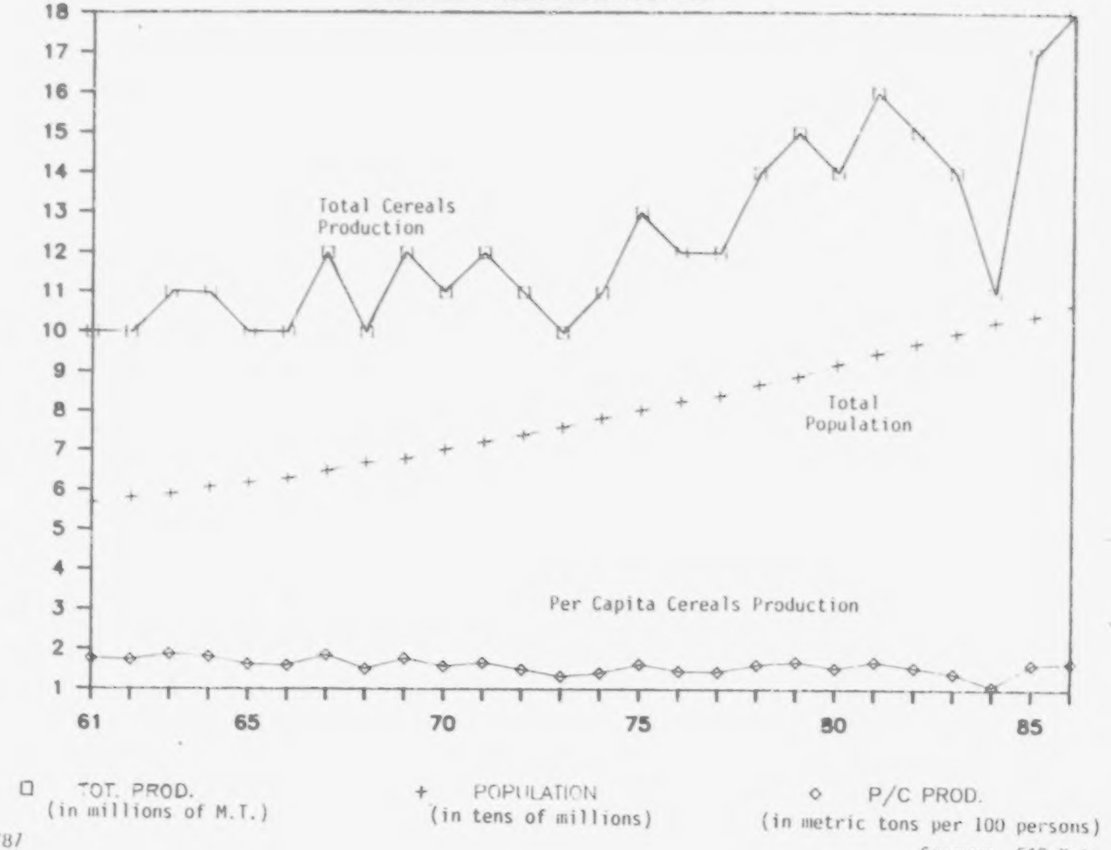
AFR/TR:2/20/87

Source: FAO Data

SAHEL–SUDANO REGION

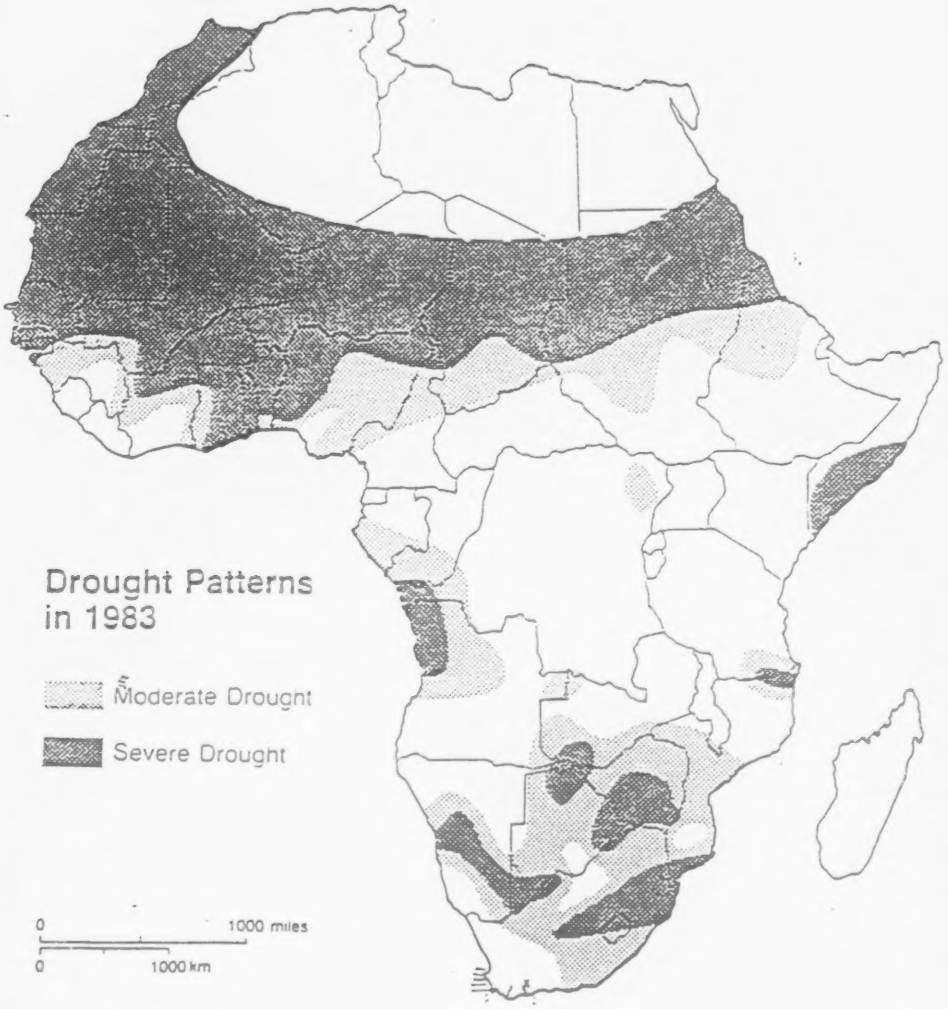
CEREALS PRODUCTION 1961–86

The Gambia
Senegal
Sudan
Somalia
Ethiopia
Mali
Chad
Mauritania
Niger
Burkina Faso



AFR/TR: 2/20/87

Source: FAO Data


Drought Patterns in 1983
Moderate Drought
Severe Drought
0
1000 miles
0
1000 km

NEW PROJECTS IN 1988

Mr. **Bissell**. Mr. Chairman, also for the record, if I could beg you to indulge me, an issue came up on Tuesday when the Administrator was testifying about the number of new projects in 1988, which my staff has been clarifying with your staff. I would appreciate putting that in the record if that is possible.

Senator **Inouye**. It will be inserted.

[The information follows:]

LIST OF NEW PHASES OF PROJECTS PLANNED TO START IN FY 1988

		INITIAL YEAR OF OBLIGATION	FINAL YEAR OF OBLIGATION	PLANNED LIFE OF PROJECT	FY 1988 REQUEST
BUREAU FOR AFRICA					
Cameroon					
6310059	FAG Agr Mgmt II	88	91	12,000	3,000
Chad					
6770055	ESG Support to Dev Ministries III	88	88	5,000	5,000
Gambia					
6350227	FAG Econ & Finan Policy Analses II	88	89	2,000	1,000
Liberia					
6690210	ESG Program Grant X	88	88	17,000	7,000
Mali					
6880233	FAG Op Haute Valle II	88	91	11,000	2,500
Mauritius					
6420010	FAG CIP VII	88	88	1,500	1,500
Niger					
6830257	FAG Ag Sector Dev Grant II	88	91	35,000	7,000
Senegal					
6850290	ESG Economic Support Fund VI	88	88	14,000	14,000
Africa Regional					
6980457	FAG Agriculture Faculty Development	88	92	3,500	400
BUREAU FOR ASIA AND NEAR EAST					
Bangladesh					
3880074	EHG Tech Resources II	88	93	2,000	300
3880074	FNG Tech Resources II	88	93	8,000	1,500
Egypt					
2630174	ESG Canal Cities Water & Sewerage II	88	93	360,000	80,000
Philippines					
4920407	ESG Budget Support Program II	88	88	4,000	4,000

LIST OF NEW PHASES OF PROJECTS PLANNED TO START IN FY 1988

	INITIAL YEAR OF OBLIGATION	FINAL YEAR OF OBLIGATION	PLANNED LIFE OF PROJECT	FY 1988 REQUEST
BUREAU FOR LATIN AMERICA AND CARIBBEAN				
Costa Rica				
5150236 ESG Econ Stabiliz & Recovery VII	88	88	85,500	85,500
El Salvador				
5190320 ESF Pub Svcs Restoration/ Rehabilitation	88	90	60,000	19,000
Guatemala				
5200353 FNG Rural Elec II	88	89	2,000	1,500
5200353 FNL Rural Elec II	88	89	8,000	3,500
Honduras				
5220216 HEG Health Sector II	88	91	9,000	1,000
5220216 HEL Health Sector II	88	91	6,000	1,000
5220216 PNG Health Sector II	88	91	3,000	1,000
Jamaica				
5320134 ESF Production & Employment VIII	88	88	45,000	45,000
TOTAL			682,700	294,700
TOTAL DA			92,200	25,200
TOTAL ESF			590,500	269,500

SUBMITTED QUESTIONS

Senator INOUYE. The committee has additional questions which we will ask you to answer for the record.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE

SMALL LOANS AND THE FEIGHAN BILL

SENATOR INOUYE: Mr. Bissell, in your Congressional Presentation you cite the Small Farmer Production project in Egypt as an example of a successful A.I.D. agricultrual project.

In this project 51,000 poor Egyptian farmers have received over 90,000 loans. The average size of the loan was about $540.

There are a number of members of Congress who are interested in setting aside 10% of A.I.D.'s economic assistance for very small loans.

Does A.I.D.'s experience with this successful small loan project in Egypt indicate that this type of initiative is sound?

Under the bill that has been introduced, loans could not exceed $150. The average amount of the loans in this Egyptian project was $540.

Does this indicate that the loan limit in the proposed legislation is too low -- or that the Egyptian loans were too high?

MR. BISSELL: A.I.D.'s experience with the Small Farmer Production project illustrates that one very important factor in meeting the productivity needs of small farmers is the flexibility to make loans ranging from under $100 to over $1,000. Small farmers operate enterprises which require access to a minimum set of profit-enhancing resources. They need to purchase inputs such as fertilizers, seeds, and insecticides and make improvements in irrigation infrastructure. A loan ceiling of $150 would clearly have limited the favorable impact of the project in Egypt, because it would have constrained the ability of the small farmer to meet the full range of credit needs.

However, flexibility in loan size is only one factor in the project's success. Five other factors have been associated with successful small farmer credit projects worldwide: (1) the availability of an appropriate technology in which farmers could invest productively; (2) reliable supporting services to support the new technology; (3) a host country policy environment that was favorable to the interests of the rural sector, especially small farmers; (4) a well-managed institutional mechanism for delivering credit to small farmers; and (5) interest rates that reflected the true opportunity cost of capital and the cost of administering credit.

These conclusions are based on evaluations of 50 small farmer credit projects funded by A.I.D. between 1973 and 1985. The projects were judged successful if they were financially viable and sustainable, with adequate credit management and a record of farmers having used credit for high-return investments.

TREE PLANTING IN HAITI: DESTRUCTIVE OR CONSTRUCTIVE

SENATOR INOUYE: Mr. Bissell, in the hearing on Tuesday Administrator McPherson cited the planting of tens of thousands of trees in Haiti as a major accomplishment of A.I.D.

The day before that hearing the Wall Street Journal reported that the World Bank had cancelled a Haitian tree planting project because it could "lead to destructive land use and exploitation."

Is there a difference of opinion between A.I.D. and the World

Bank on the environmental value of tree planting in Haiti?

MR. BISSELL: I would like to clarify Mr. McPherson's statement and say that A.I.D. is planting almost 5 million trees a year now in Haiti through our Agroforestry project. While this number is impressive and a good start, it is still woefully short of the total need in Haiti where widespread deforestation and resulting soil erosion are two of the leading constraints to development.

With reference to the World Bank project, we are not aware that environmental problems were the main reason they decided not to proceed. Rather, we understand that they were concerned with the institutional capacity to implement their project.

The World Bank and A.I.D. are in accord that tree planting in Haiti has both a high environmental and developmental value and is a wise use of limited donor assistance. However, if not carefully designed, forestry projects can have just the opposite effect by encouraging policies and practices that result in even greater deforestation.

Questions had been raised from various quarters as to whether the design of this particular World Bank project was appropriate. For instance, an official government infrastructure to cut wood was proposed. This could have increased the rate at which trees are being cut. A tax on timber was suggested which could have made tree investments less attractive to individuals. Also, it is unlikely that the revenues would have gone back into the forestry sector. A.I.D. relayed these concerns to the World Bank technical staff.

A.I.D.'s agroforestry approach emphasizes working through private voluntary organizations to reach the rural poor to plant trees on their own plots to stabilize and improve the soil, and to provide for a modest income from occasional thinning and cutting of trees. In this way, the people who are the main cause of deforestation in Haiti can see the multiple benefits of having trees on their land and become the main cause of the country's reforestation.

FARM INCOME AND FEEDING THE POOR

SENATOR INOUYE: Mr. Bissell, according to your budget request, the primary objective of A.I.D.'s agriculture program is to increase the income of farmers in developing nations. Of course, one of the ways to increase the income of farmers is to raise the price of their product — food.

Indeed, it is A.I.D.'s policy to try to convince developing nations to end price controls on food products so that there will be a greater incentive for increased food production.

In the United States we offset the higher food costs inherent in supporting higher farm incomes by providing food stamps to the poor.

Since most lesser developed countries (LDCs) do not have income support programs for the poor, such as food stamps, how can A.I.D. assure that higher prices for the farmers will not mean less food for the poor?

MR. BISSELL: Policymakers in all countries want food prices high enough to stimulate production and assure adequate market supplies, but low enough to protect low-income consumers. A.I.D. is constantly challenged to reconcile both objectives.

A principal A.I.D. objective is to assist recipient countries establish competitive markets in the private sector that provide a stable supply of low-cost nutritious foods to the majority of the population. However, sole reliance on the normal free market mechanism for the production and distribution of food and the alleviation of hunger may be inadequate in many poor countries, at least in the short run. On the other hand, massive direct feeding programs are likely to lead to dependency, and in addition, would require considerable administrative capability and costly physical infrastructure far beyond what is attainable in the foreseeable future.

Therefore, as in our own economy, limited market interventions by the public sector may be needed to assure both efficient agricultural production on the one hand and equitable (needs-oriented) food distribution on the other. It may also be necessary and appropriate to employ direct food distribution programs -- those that do not rely on the market at all -- to reach those whose needs would not otherwise be met.

There are a range of approaches governments employ to protect low-income consumers. For example, open market sales of public food stocks can help guard the economy against seasonal price variations. There is, of course, a danger that such sales could be used to depress producer prices in favor of cheap food for consumers. Ration or "fair price" shops in both the public and private sectors sell food at subsidized prices, typically intended for lower income groups. Our experience has been that ration shop systems may not be cost effective in reaching the most needy, call for large, on-budget subsidies, and often target urban consumers instead of the rural poor. Food stamps permit low-income holders to purchase a limited amount of specified foods at reduced or no cost, but again have a direct budget cost. A self-targeting commodity procurement program, whereby the food that is provided is mainly consumed by the poor, is another mechanism designed to assure that the poor are able to purchase adequate food to meet their consumption needs.

These schemes, which use the market mechanism to distribute food, may not be sufficient to provide food to underemployed and malnourished people who do not have the money to purchase the food they need. Under these circumstances, poor people must be able to obtain food from direct feeding and food-for-work programs. Food aid is often used to supply both types of programs, which otherwise could not easily be sustained.

The Asian experience illustrates how incentives can affect agricultural development and how food aid might facilitate the process. The new high yielding varieties of rice and wheat accounted for most of the increase in the food supply in the sub-Continent and other Asian countries since the late 1960s. An important characteristic of these new varieties was their technical and economic efficiency: production could be increased at lower unit cost; more food at less cost benefited both producers and consumers. Because the food supply was increasing substantially, it was possible for employment to expand and incomes to rise without causing food prices to be bid up significantly relative to other goods and services.

In the absence of increased food supplies, however, policies to expand employment would probably have caused prices to rise; and rising food prices, while they might have spurred increased production, would surely have had a detrimental impact on the nutrition of poor wage earners and others who purchase the food they consume. At the same time, government policy did not artificially depress food prices, and this, together with the increased availability of agricultural inputs at reasonable prices plus the reduced per unit costs of the new technology, encouraged food producers to invest in expanded production.

COORDINATION OF IRRIGATION SUPPORT

SENATOR INOUYE: Last year A.I.D. began a new 5 year $10 million plan entitled "Irrigation Support for Asia and the Near East."

This year, the largest new centrally funded project is a 10 year $20 million project called the "Irrigation Management Support and Research" project.

The Congressional Presentation Document makes clear that this new project will be developed and implemented in coordination with the Asian program begun last year.

Is the Agency confident it can avoid duplication when it has two projects of such similar character?

MR. BISSELL: Although the two projects are similar in many regards, they cover distinct geographical areas. The Asia/Near East (ANE) project, Irrigation Support for Asia and the Near East (ISPAN), will support irrigation activities in that region, while the Science and Technology (S&T) project, Irrigation Management Support and Research (IMSAR), will concentrate on the Africa and Latin America/Caribbean regions. The different regions have distinct irrigation and water management problems, which will require the projects to mobilize different types of expertise. For example, in Asia/Near East, A.I.D. concentrates on improving the performance and sustainability of vast networks of large and small irrigation systems. In Africa, A.I.D. emphasizes identifying and developing a limited irrigation potential with scarce natural and institutional resources.

The one area of potential duplication is that of documentation--gathering, reviewing and disseminating technical literature. In this area, the ANE and S&T Bureaus will carefully coordinate their efforts and share resources, rather than duplicate.

SENATOR INOUYE: Would it be easier for the Congress to evaluate the relative value of these projects if they were both requested in the same year?

MR. BISSELL: The projects were designed at about the same time and we originally intended to submit them together, which might have made their complementarity more apparent. ISPAN obtained ANE Bureau support as anticipated, and was submitted last year. However, because of funding difficulties, the S&T Bureau was compelled to redesign its project and submit it this year, rather than last.

HEALTH FUNDING AND CHILD SURVIVAL

SENATOR INOUYE Mr. Bissell, according to your budget over half of Development Assistance Health funds are now spent on child survival activities of the type supported from the Child Survival Funds.

It has been suggested that A.I.D. often responds to

Congressional initiatives by changing the descriptions of its projects rather than developing new projects which are directly responsive to those Congressional initiatives.

How would you respond to this suggestion?

MR. BISSELL: In the case of child survival I can assure you that we have not merely changed the descriptions of projects. In the past year alone A.I.D. launched new child survival projects in Egypt, Bangladesh, Morocco, India, Niger, Nigeria, Guatemala, and Yemen. In addition, a major new regional immunization project was inaugurated in Latin America, and the regional Combatting Communicable Childhood Diseases (CCCD) project in Africa was amended to expand our major effort in child survival in Africa. We also initiated new private voluntary organization child survival activities amounting to $7.5 million.

Many of these activities are funded from both the Child Survival Fund and the Health account, as well as from Economic Support Funds. In addition, many existing health projects have been redesigned to reflect the new child survival emphasis of our Agency health policy and strategies. In estimating the child survival activities funded by the Health account, we have established criteria based on our policy and strategy statements and have made very careful determinations, substantiated by data from our field posts. We are very confident of the numbers we have reported to you.

APPROPRIATE TECHNOLOGY INTERNATIONAL

SENATOR INOUYE: Mr. Bissell, a few years ago, the buzz-word in development assistance was "appropriate technology." In 1977, Congress directed A.I.D. to fund a new semi-autonomous Agency known as Appropriate Technology International (ATI).

After several rocky years, ATI received a favorable evaluation in November of last year. It seems to have gotten most of its problems sorted out and now appears capable of making a significant contribution.

Is A.I.D. now prepared to support Appropriate Technology International with sufficient funding to enable it to function effectively?

What amount of funding will ATI receive from A.I.D. in fiscal year 1988?

How does that compare with prior years?

MR. BISSELL: We agree that ATI now appears capable of making a significant contribution. ATI has shown that it can successfully demonstrate the commercial viability of specific technologies.

We plan to provide ATI with $3 million of central bureau core funding in FY 1988, subject only to overall appropriation levels. This amount is only slightly less than the average funding ATI received from FY 1985 to FY 1987. Of the FY 1987 Operating Year Budget (OYB) ATI is to receive $3 million. New obligations for ATI amounted to $2.3 million in FY 1986 and $3.9 million in FY 1985.

The planned FY 1988 central bureau core funding level is enough to enable ATI to function effectively. However, if ATI's efforts to market its program and services to field missions bear fruit, the total A.I.D. funding available to ATI could significantly exceed this amount.

As its program matures, ATI is shifting from primary emphasis on demonstration projects to a joint focus on (1) demonstration projects, (2) replication of successful innovations, (3) appropriate technology policy and (4) provision of services. Successful implementation of this shift in program focus requires diversification of ATI's funding sources. ATI plans to actively market its program and services to A.I.D. field missions, other A.I.D. operational units and organizations outside A.I.D.

To assist these marketing efforts, A.I.D./Washington will promote ATI to A.I.D. field missions as an important resource available to assist in carrying out the Agency's private sector program at the small-scale end of the spectrum. A companion ordering agreement to ATI's cooperative agreement will soon be signed which will make it easier for field missions to gain access to ATI's services. Also, where local currency is available, we will encourage A.I.D. field missions to use some of this resource for ATI projects involving small enterprise loan and venture capital funds.

CONDITIONALITY ON PUBLIC HEALTH PROJECTS

SENATOR INOUYE: Mr. Ink, one of the largest new projects in Central America this year is the "Potable Water Project" in El Salvador. This project will help the Salvadorans to construct 150 new safe water systems.

The Congressional Presentation Document states that many of the "existing water systems are unreliable and at times unhealthy."

What steps are being taken to develop the necessary social, administrative, and financial systems which will be required if these new water systems are to remain healthful and reliable for many years?

Who will pay for the testing of the water supplies?

Who will maintain them?

MR. INK: A.I.D. plans to begin work with the Government of El Salvador (GOES) in developing the Potable Water/Environmental Sanitation Project later this year, with obligation of the project to take place in the summer of 1988. At this point, the project's structure and strategy are still in the embryonic stage, with almost all of the design and development work remaining to be done. Therefore, the following statements are based on preliminary thinking by the A.I.D. Mission in El Salvador and brief discussions with the GOES.

At present, the project's purpose is seen as helping to increase the access of rural people to potable water and sanitation services. The project is intended to help rural community members by renovating or providing hand pumps, protected cisterns, and small water distribution systems, and by helping those communities to develop appropriate systems for garbage and excreta disposal. Health education will be an important component of the effort.

As presently envisioned, the project will provide training and technical and commodity assistance to the GOES and beneficiary communities to finance the digging of wells and their maintenance. The project will also support the design and implementation of garbage and waste disposal systems.

Government water agencies will work with a team of project-financed engineers to select feasible water projects, prepare bid documents for private sector contractors, and oversee the contractors' work.

Contractors will be responsible for carrying out actual digging or construction work and for training recipient community members in equipment repair and maintenance.

Community members will be heavily involved in the design and development of disposal systems and will receive training aimed at changing their attitudes toward water handling practices, personal and community sanitation and the prevention and treatment of diarrhea. Community members also will take the lead in repairing and maintaining the water distribution and sewage disposal systems, drawing upon government agency or contractor assistance and training where needed.

A.I.D. believes that careful management of the foregoing activities during the project and concientious maintenance work by project beneficiaries after the project's end should ensure that water and sewage disposal systems remain healthful and reliable for many years to come.

Water quality control is an important element in a successful water and sanitation program. The GOES program will take the lead in establishing cost-efficient water systems. The communities will share the recurrent cost burden of this activity.

Government agencies and community members will work together in keeping the water and sewage systems going. It is expected, however, that, given government budgetary limitations, community members will do most of the maintenance work and that the communities will assume the recurrent cost burden.

ROCAP

CENTRAL AMERICA REGIONAL COOPERATION IN A REGION IN CONFLICT

SENATOR INOUYE: Mr. Ink, in 1988, A.I.D. is requesting to spend over $670 million in various forms of aid to the Central American nations themselves.

In addition, in 1988 A.I.D. will spend $31 million in its Central America Regional Program in Washington and $29 million in another, but very similar sounding program called the Regional Office on Central America and Panama (ROCAP). ROCAP's office is located in Guatemala.

I understand that ROCAP's role is to coordinate A.I.D.'s relationship with regional institutions while A.I.D.'s Washington regional office coordinates policy for the region as a whole.

It has been suggested that, in this period of fiscal constraint, we cannot afford to have two different offices coordinating Central American programs. Do you agree?

MR. INK: To carry out A.I.D.'s program and fiscal management responsibilities most effectively, we normally seek to manage A.I.D.-financed programs through our field missions. In the case of our Central American Regional programs, ROCAP provides a critical field presence which allows us to work directly on a day-to-day basis with those Central American regional institutions which receive A.I.D. financing. Wherever possible we assign management responsibility for Central American regional programs to ROCAP. There are several programs which, because of special needs, are managed by A.I.D. in Washington. (We do not, however, have a separate office in Washington dedicated to Central American regional programs.) These programs include Administration of Justice which is supported by the Department of Justice and thus requires close collaboration between A.I.D. and Justice on a continuing basis.

The role, organization, staffing and programs of ROCAP were critically reviewed by A.I.D. last summer. The main conclusions and results of our in-depth review were to have ROCAP:

(1) Concentrate its programs on key development problems which were identified by the National Bipartisan Commission report and which lend themselves to regional approaches;

(2) Concentrate its resources on developing key regional institutions into viable, self-sustaining centers of excellence in fields of agriculture research, agricultural and business graduate training, infrastructure financing, and nutrition/child survival.

(3) Analyze development trends in the region, undertake special studies in such areas as regional transportation, regional financial markets, etc.; and

(4) Provide limited technical assistance to bilateral missions, e.g., in contracting and procurement.

Because of this sharper focus, we have reduced ROCAP staff from 17 to 11 direct hire and greatly reduced the budget.

Other Central American Regional projects, not managed by ROCAP, are managed by various offices within the LAC Bureau that have the requisite expertise for the projects in question. For example, projects for strengthening Democratic Institutions and for the Administration of Justice are managed by a special office which works closely with the State and Justice Departments in Washington.

Staffing levels do not permit a Washington regional office that "coordinates policy for the region as a whole." Policy making and coordination are the responsibility of the Assistant Administrator for Latin America and the Caribbean. Policy coordination for Central American and the region is different from coordination of relationships of regional institutions.

SENATOR INOUYE: In its examination of ROCAP, the General Accounting Office concluded that "extensive regional programs may not be viable." In light of the conflicts in the region, do you think that there is a need for a special office to coordinate regional programs? For example, according to the Congressional Presentation among the regional institutions that ROCAP needs to relate to is a "committee of vice-presidents" of the various countries. Is relating to a "committee of vice presidents" a priority regional activity?

MR. INK: We strongly believe that there is a need for a special office in the region to coordinate regional programs and carry out the functions of ROCAP. The conflict does not lessen the need for regional coordination and it increases the need for regionalism in economic, social and democratic development. ROCAP is the U.S. Government's principal mechanism for promoting regional cooperation.

In its report, the General Accounting Office (GAO) stated that, "extensive regional programs may not be viable." In our official response to the GAO we stressed that regional programs are not only viable but an important part of our assistance to Central America. Through these programs we are able to encourage regional cooperation on the development problems which plague the entire region. Working with regional centers of excellence, in areas such as agricultural research, for example, on common problems offers economies of scale which enhances the impact of U.S. assistance and benefits all of the Central American countries (excluding Nicaragua).

The need for regional cooperation was recognized in 1984 by the National Bipartisan Commission on Central America (NBCCA) and since the election of three new presidents over the past two years, interest in regional cooperation has steadily grown. Renewed efforts are being made in the region to search for regional approaches to peace and development. This is demonstrated by Central American support for a Central American Development Organization (CADO), the Central American Parliament, the meeting of Presidents at Esquipulas and the new Arias Peace Proposal. In the Declaration of Esquipulas the Central American presidents declared, their "...decision to reinforce, institutionally and financially, the organizations that promote Central American integration, as well as to facilitate regional agreements and actions that provide these institutions, and the region, resources in accordance with their individual necessities." In the past year, the Central American governments have contributed some $2.3 million to development/technical regional institutions. This contribution in support of maintaining these institutions takes on greater significance since it comes at a time when Central American economies are suffering from several years of conflict and declining terms of trade.

This resurgence of regionalism and regional cooperation on common development issues should be encouraged. The Regional Office for Central America and Panama (ROCAP) is the U.S. Government's principal mechanism for fostering regional cooperation. Projects are undertaken on a regional scope and thus require an administrative presence in the region to provide adequate management. Through this office projects can be closely monitored, insuring accountability. Under ROCAP auspices, a dialogue on regional issues is maintained.

Additionally, ROCAP monitors cross-national trends and development issues. This requires a regional office presence within the region. An excellent example of this is the recently completed transportation study financed by ROCAP. This study identified transportation problems which currently inhibit export from the region and limit participation in the Caribbean Basin Initiative. The study will be used by the bilateral missions as well as ROCAP in the formulation of projects to remove transportation barriers to export.

Concerning your question on the "committee of vice presidents," we referred to this committee only as an example of the renewed interest in regionalism. This group was formed to continue to work toward the formation of a Central American Parliament.

While we encourage and support such activities which include discussion of development issues, ROCAP does not presently have any projects with the "committee of vice-presidents."

NEW START OR COST OVERRUN

SENATOR INOUYE: Mr. Love, the largest new start in Africa in the 1988 request is a project in Niger entitled the "Agricultural Sector Development Grant II." The Congressional Presentation document states that this project "will continue the policy reform effort in agriculture...."

The first phase of this project has already cost over $30 million. The project proposed for fiscal year 1988 appears to be a continuation rather than a new project.

Did you underestimate the original cost of this effort?

What was achieved under the first phase of this policy reform project?

Should we assume that when the four year project that you are requesting this year is completed, another $35 million project will be necessary?

MR. LOVE: The objectives of the Agriculture Sector Development Grant I were achieved within the original budget of $32 million. Those funds have been tranched over four years (1983-86) during which time this sector grant became an increasingly larger percentage of a shrinking Niger operational year budget (OYB). Given Niger's past track record and its positive approach towards remedying its agricultural problems, the United States selected the sector grant mode to facilitate the country's ongoing development program. The sector grant process, not being tied to projects, has allowed a certain amount of flexibility by removing financial constraints and allowing for a better allocation of resources.

The program has been a worthwhile investment given the specific policy changes obtained. For example:

- Input supply subsidies by the government, both indirect and direct, have been reduced;
- Parastatal agency responsibilities for purchasing and supplying agricultural inputs to farmers are being transferred to local cooperatives;
- The official grain marketing agency (OPVN) has limited its function to the maintenance of security stock, thereby minimizing recurrent cost burdens on the government's budget;
- A tender and bid system has been instituted for stock buying operations;
- Restrictions on cross border trade in cowpeas and trade and export of small ruminants and camels have been lifted; and
- Financial market study has been completed on schedule, thus developing a better base upon which to make further economic policy adjustments.

There will be an evaluation upon completion of the proposed program grant which, as in case of the current grant, will be disbursed over five years. The evaluation will determine the degree of progress made as well as indicate possible areas of intervention for the future. Given the successes thus far, as indicated in the mid-term evaluation, it is likely that future requests will be made.

COMMITMENTS TO KENYAN PRESIDENT MOI

SENATOR INOUYE: This week the President of Kenya, Daniel Arap

Moi, visited Washington and met with President Reagan. During such state visits, U.S. and foreign government officials often discuss future levels of American economic and development assistance.

Were there any agreements reached between President Reagan and President Moi about the future levels of American assistance?

MR. LOVE: There were no agreements regarding future assistance levels made between President Reagan and President Moi. President Moi was told that due to budget constraints no agreements for increased resources could be made and that the United States hoped to maintain levels and to exercise flexibility in using current levels.

SENATOR INOUYE: Were these multi-year commitments?

MR. LOVE: There were no assistance level commitments.

SENATOR INOUYE: What amounts were discussed?

MR. LOVE: No amounts for U.S. assistance levels were discussed. We indicated that it would be difficult to anticipate increased assistance above the level requested in the FY 1988 Congressional Presentation.

SENATOR INOUYE: Under the President's fiscal 1988 budget, Kenya will receive $35 million in U.S. aid. Is this sufficient?

MR. LOVE: Yes, we believe the $35 million level is sufficient. Furthermore, an additional $7.4 million will be provided under PL 480 Title I and Title II.

NIGER: LARGEST NEW START

SENATOR INOUYE: Mr. Love, the third largest new project in the 1988 request in Africa is a project designated as the "Agricultural Sector Development Grant II" project. It is designed to promote private sector agricultural development in Niger.

Niger is one of the smaller African nations. It has never been identified as a nation of major economic or strategic significance.

Why is A.I.D.'s largest new start in Africa in Niger?

MR. LOVE: Niger's operational year budget (OYB) declined due to overall funding constraints, i.e., from $25 million in FY 1985 to a projected $16 million in FY 1988. As in the case of the original sector grant, funds for the new FY 1988 proposal will be tracked over a five-year period. The approximate annual $7 million disbursement (roughly 40% of the OYB) will be made subject to Niger's having fully satisfied specific conditionality of the overall reform program. A.I.D. believes this level of assistance will be appropriate in view of prior successes achieved under the original grant. Niger's Agricultural Sector Development Grant I project, according to its mid-term evaluation, has shown that the sector grant process can be effective in bringing about policy reform as well as other programmatic changes within a reasonable period of time. As such, Niger is now seen as one of the model countries in carrying out the type of reform and policy changes so necessary in many of the African countries.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

NARCOTICS CONTROL

SENATOR DECONCINI: Two years ago in similar hearings, I inquired about international narcotic control programs. For example, about funding for Bolivia: as the funding more than tripled between FY 1983 and FY 1984, coca leaf production remained the same over those two years. I also asked about the lack of emphasis on the Bahamas. I saw last night on the news that the Bahamas were again mentioned as the cocaine islands. In testimony, Mr. Dicarlo replied that: "We must continue to have a commitment from the Bahamian government in order for the program to be effective and successful." Aren't the Bahamians willing to sign the pending MLAT treaty? At what stage is this? What else are we doing to attain the best possible results at stemming the drug flow into this country?

MR. BISSELL: On March 6, 1987, the Government of the Bahamas expressed its willingness to sign the Mutual Legal Assistance Treaty (MLAT). However, the United States will not sign that treaty until we have had an opportunity to review the Bahamian enabling legislation. We expect this to happen soon. In addition, the Department of State's Bureau for International Narcotics Matters provides for U.S. Air Force and Drug Enforcement Agency patrols of the area under Operation Bahamas/Turks/Caicos, and is supporting the rehabilitation of seven large speedboats for use in narcotics interdiction actions. A.I.D. provides no assistance to the Bahamas.

SENATOR DECONCINI: What is the U.S. Government position toward the Bolivian-U.S. Task Force recommendations on eradication of coca crops?

MR. BISSELL: The United States accepted in principle the task force recommendations, which became the basis for the Bolivian narcotics plan, presented to the Bolivia Donors Consortium in Paris last December, and ultimately, a framework agreement on bilateral U.S.-Bolivian narcotics cooperation signed on February 24. The framework agreement lays out the general lines of future U.S.-Bolivian narcotics cooperation, which will enter into force when two annexes to this agreement are signed. These annexes detail joint actions and responsibilities in the areas of narcotics enforcement and interdiction, and support for voluntary coca eradication. Some methods of compensating farmers for eradication of coca plantings will differ, however, from those recommended last October.

SENATOR DECONCINI: What are the results of the Bolivian-U.S. interdiction raids on cocaine laboratories?

MR. BISSELL: The results were, on the whole, very good. The Government of Bolivia (GOB) requested U.S. collaboration last summer in mounting Operation Blast Furnace, which destroyed laboratories for manufacturing cocaine hydrochloride and its derivatives in the Beni area of Bolivia, and resulted in a sharp decline in the price of coca leaves below the cost of production.

The U.S. military involvement in such operations ceased with the termination of Blast Furnace last November. Since then the United States has provided technical training and the loan to the GOB of six "Huey" helicopters, transport aircraft, as well as pilot and maintenance training, police and field support. The GOB has continued interdiction raids and search and destroy missions at a stepped-up rate. While prices of coca leaf have risen again, they fluctuate around a level that is approximately one half of the 1986 pre-Blast Furnace levels. Most importantly, the GOB has sent a clear signal to Bolivia's drug producers that they may no longer operate freely in that country.

SENATOR DECONCINI: What is the current U.S. formula for successful eradication of coca leaves in Bolivia, and how will this be implemented?

MR. BISSELL: The framework agreement for narcotics control signed on February 24 by the U.S. and Bolivian governments commits the GOB to eliminate all illicit coca production by the end of CY 1989. That agreement calls for a one-year voluntary eradication period during which a minimum of 1,800 hectares will be eradicated. Targets for the forced eradication to take place in the subsequent two years will be set based upon the success of the voluntary eradication program. The joint agreement commits the GOB to assure passage of a comprehensive narcotics law which would declare coca cultivation illegal in all regions of Bolivia except certain areas in the Yungas, where coca has traditionally been grown for indigenous use. The GOB would follow the voluntary eradication program with forced eradication if necessary.

SENATOR DECONCINI: Does the U.S. position differ from the Bolivians' position of eradicating coca leaves in terms of methods, time-table, and means of payment? If differences emerge, how can they be resolved?

MR. BISSELL: The United States concurs with the Bolivian plan to proceed first with a 12-month period for voluntary eradication, to be followed, as necessary, by forced eradication. Since this plan cannot be implemented until the GOB passes the narcotics law, however, we are strongly urging the GOB to take appropriate action right away. Instead of using our funds for cash payments to those who voluntarily eradicate, however, except for reimbursement for the labor involved in eradication, U.S. funds will be used to assist those who eradicate coca to develop alternative sources of income.

QUESTIONS SUBMITTED BY SENATOR KASTEN

U.S. FOREIGN POLICY SUPPORT

SENATOR KASTEN: Mr. Bissell, I would like to ask each of the Assistant Administrators to answer the following question for me: to what extent and in what ways did you utilize the report to Congress on voting practices in the United Nations when you made decisions on levels of foreign assistance to the countries in your bureaus? Did this report play any role at all, and if so please be specific.

MR. BISSELL: We are cognizant of Congressional concern with voting practices in the United Nations and share the view that U.N. voting records should be factored into decisions on foreign assistance.

A.I.D. uses the results of the annual report compiled by the State Department's Bureau of International Organization Affairs as a factor in setting its annual operating year budget. In determining annual assistance allocations, A.I.D. considers each recipient's relative support on U.N. issues. Countries which show significantly lower records of support for U.S. positions, other things being equal, could be expected to receive lower aid levels.

However, as the Administration has stated in the past, and as the Congressional legislation on the matter recognizes, a country's U.N. voting record is only one critical factor among many that must be taken into account in determining levels of economic assistance. Other factors include developmental, strategic, economic, political, regional and humanitarian interests of the United States in the country. Because of the complexity of dealing with these multiple foreign policy interests, a rigid formula tied to U.N. voting would be counterproductive. Flexibility is needed to balance sometimes conflicting goals to reach the optimum solution to advance U.S. diplomatic objectives in individual cases.

ASSISTANCE LEVELS AND U.N. VOTING

SENATOR KASTEN: I would like to ask each of the Assistant Administrators to answer the following question for me: to what extent and in what ways did you utilize the report to Congress on voting practices in the assistance to the countries in your Bureau? Did this report play any role at all, and if so please be specific.

MR. INK: For Latin America and the Caribbean, a record of support in U.N. voting is only one of the critical factors we considered in determining whether assistance serves U.S. interests. Other factors in these decisions included strategic, economic, political, developmental and humanitarian consideration regarding the country concerned.

ECONOMIC SITUATION IN EL SALVADOR

SENATOR KASTEN: In addition to the difficulties presented in El Salvador by the guerrilla war, that country has been experiencing some severe economic problems. What is the current situation there, and are international organizations trying to help El Salvador recover from its problems?

MR. INK: At the beginning of 1986, prospects for the beginning of real recovery in El Salvador looked very favorable. Coffee prices were up sharply, oil prices were down sharply, and the government had announced an economic stabilization program, including unification of the exchange rate. Economic growth for 1986 was expected to be 2.5%, with inflation of 20% and an increase of $60 million in international reserves.

The strongly adverse public reaction by both the labor and business sectors to the January 1986 economic package, however, led the Government of El Salvador to pull back from this program. With higher inflation, the exchange rate became more overvalued than expected, and public utility deficits grew much faster than anticipated. By the time of the earthquake in early October 1986, the government's program was clearly facing difficulties.

The costs of the war have escalated and continue to drain the national budget. There is growing discontent in El Salvador with the economic situation. We believe that the GOES, despite domestic political pressures to the contrary, must adopt suitable policy measures to reduce the deficit, dampen inflation and thus enhance private sector employment opportunities. Without such adjustments economic situation may continue to deteriorate.

The Inter-American Development Bank (IDB) is the only major international organization with a sizeable ongoing development assistance program in El Salvador. Since the October 10, 1986 earthquake, the World Bank has offered a loan for longer-term reconstruction, and a formal Bank appraisal mission is now in El Salvador. The IDB is considering its own earthquake reconstruction assistance loan.

El Salvador's reconstruction needs are enormous due to the protracted war and the earthquake. We have encouraged the major international organizations to provide maximum assistance and to expand their operations in El Salvador. With concerted international encouragement, El Salvador may be in a better position to adopt important but politically risky economic reforms and adjustments.

PRIME MINISTER SEAGA'S FREE MARKET REFORMS

SENATOR KASTEN: The current Government of Jamaica, which billed itself as a free-market alternative to the socialist government of Michael Manley, in fact seems to be implementing many of Manley's programs, with more and more government owned business. What has happened to Mr. Seaga's government since it now appears that he is as socialistic as his predecessor?

MR. INK: After an initial slow start, the government of Prime Minister Seaga has undertaken major reforms to eliminate import and price controls and the monopoly position of state export marketing boards, to reform the tax system to eliminate major disincentives to production, to establish and maintain a unified, internationally competitive exchange rate, to streamline the approval process for foreign investment, and to dispose, in an orderly manner, of many of the state enterprises acquired under the previous government. A.I.D. has played a major role in all of these reforms, in particular through the provision of technical assistance for their implementation.

Early in the new administration, the pervasive system of price and import controls was dismantled. In addition, marketing board monopolies for coffee, citrus, and bananas were eliminated in 1984 and 1985, and progress in this direction has been made for cocoa and sugar marketing boards.

Under the previous government, the highly progressive income tax system which reached a rate of 65% at relatively low levels of income was regarded as a major disincentive to production and a source of widespread economic distortions and tax evasion. An extensive A.I.D.-financed analysis of the Jamaican tax system led to a national dialogue on this issue, and to the enactment of a new tax code with a 33% top tax rate for both individuals and corporations.

After several years of effort, the exchange rate was unified in late 1983, and most quantitative restrictions on imports have been eliminated. Price controls on numerous food imports were eliminated and replaced by a food-stamp program for low-income consumers. Beginning in October 1985, the Government of Jamaica has attempted to stabilize the exchange rate at 5.5 to the dollar. However, no attempt to reintroduce the multiple exchange rate practices or quantitative restrictions of the Manley era has occurred.

The hundreds of state enterprises acquired by the previous government presented the Seaga administration with a serious dilemma. In the depressed economic circumstances which the government faced in the early 1980s, there was no ready market for these enterprises. In the case of hotel properties, many of which the Manley government had acquired after making good on loan guarantees after enterprises went bankrupt, the Seaga government decided as an interim measure to return them to private operation by leasing them to private operators.

In November 1986 the government, encouraged by A.I.D. and assisted by extensive A.I.D.-financed technical assistance, sold the National Commercial Bank, the largest commercial bank on the island and the largest state enterprise in terms of total assets, through a widelysubscribed public stock offering. The government announced in March that it will sell the state-owned cement company through a similar public offering. The government also plans to sell the hotel properties it now owns.

During the past year, A.I.D. has had some policy disagreements with the Seaga government, chiefly related to the Prime Minister's desire to follow a more expansionary demand management policy than we, at the time, believed sustainable. In recent months, this disagreement has been resolved, in part, by a scaling back of the Seaga government's investment plans and in part, by our coming to realize that the fiscal and balance-of-payments windfall associated with the fall in world petroleum prices would, in fact, permit a somewhat more expansionary demand management stance.

ECUADOR EARTHQUAKE DAMAGE

SENATOR KASTEN: Can you bring us up to date on the situation in Ecuador with respect to earthquake damage - specifically what type of resources and how much is that country going to need in order to put its oil pipeline back in running condition, knowing of course that oil is about a half of their gross national product.

MR. INK: This is a status report. Estimates of reconstruction costs are still being developed and the report on donor plans is still quite preliminary.

The earthquakes killed an estimated 1,000 people, left 20,000 homeless, and 70,000 isolated. Thirty two kilometers of the oil pipeline were destroyed and a pumping station was damaged, knocking out oil production and exports for five to six months. Oil exports earned about 50% of foreign exchange and furnished 45% of government revenues in 1986. The disaster will cost Ecuador at least $370 million in lost export earnings and the pipeline will cost $120 million to repair. Cost of repairing other infrastructure losses may range as high as $230 million. Petroleum worth approximately $140 million will have to be imported for domestic use.

We understand that the World Bank is planning to reprogram a planned credit to cover all foreign exchange costs of repairing the pipeline, now estimated at $65 million. The Andean Development Corporation will contribute $20 million toward local currency costs for this project and the the Government of Ecuador will have to provide the remaining funds which may total an additional $35 million. We understand the Government of Ecuador is meeting this week with the World Bank and the Inter-American Development Bank to negotiate details of their financing for pipeline repair, roads and infrastructure in the region.

U.S. FOREIGN POLICY SUPPORT

SENATOR KASTEN: Mr. Love, I would like to ask each of the Assistant Administrators to answer the following question for me: To what extent and in what ways did you utilize the report to Congress on voting practices in the United Nations when you made decisions on levels of foreign assistance to the countries in your Bureaus? Did this report play any role at all, and if so please be specific.

MR. LOVE: The UN voting record is one of a number of critical factors we consider in determining whether assistance serves U.S. interests. As Mr. Bissell has indicated, other factors in these decisions include strategic, economic, political, regional developmental and humanitarian interests of the United States in the country concerned.

It is important that we have the flexibility in the legislation because it gives us the opportunity to provide foreign assistance in pursuit of the full range of foreign policy objectives. We are taking advantage of the flexibility to support the constructive partnership the United States has developed with African countries, for example, in addressing the African crisis through provision of massive emergency assistance and through participation in the UN Special Session on the Critical Economic Situation in Africa last May in New York.

SUDAN LEVELS

SENATOR KASTEN: The total program for Sudan is $89.7 million. That government has not been particularly friendly to us lately. Its last action I believe required the removal of U.S. stockpiles that we had there, stockpiles which would have been especially helpful to Chad. How would you describe the current policies of that government, and does it not strike you as strange that we give some $20 million more to Sudan than to a country like Somalia, which almost always is helpful to us?

MR. LOVE: We continue to enjoy very good relations with Sudan. After free and honest elections last year, Sudan became one of the few democracies in either Africa or the Middle East. Though officially non-aligned, Sudan's respect for civil liberty creates a strong affinity for the West. Given Sudan's strategic importance on the flanks of Egypt and Saudi Arabia, its consistent pursuit of a conciliatory policy with its neighbors promotes America's interests as well as peace in the region.

We are disappointed with Sudan's economic performance and restrictive economic policies. Although the new democratically elected Government of Sudan (GOS) has been in place for only ten months it, more than the previous interim military government, has recognized the need for economic policy reform. However, in its effort to more fully consolidate the new democratic regime, the GOS has felt politically unable to fully institute those reforms which it has identified as necessary to move the economy toward stabilization and growth.

We also feel that the government in Khartoum can do more to stop the fighting in the South by seeking to negotiate a political settlement. We are particularly disturbed by the food crisis in the South and have urged the government to redouble efforts to move food to afflicted areas.

Yes, the Government of Sudan, over time, has asked us to remove our stockpiles from their territory; however, those stockpiles were never intended for use in Chad. I would also like to point out that Sudan supports Habre's legitimate government in Chad. It has tried, but so far failed, to effect a political solution for Libya's withdrawal from Chad. After Libya violated Sudanese territory to launch a failed sneak attack on Chad, Sudanese Prime Minister Sadiq al-Mahdi condemned Libya's "deceitful behavior" before Parliament.

Insofar as resource levels are concerned, I would like to explain that the proposed DA and ESF levels for Sudan and Somalia are approximately the same. $40 million of the difference in the overall assistance levels is due to PL 480 Title I food import requirements for Sudan, a level which is based totally upon the food needs of the country. Although Sudan, like much of the rest of Africa, has made some progress in recovering from the drought, its surplus in sorghum does not meet the food requirements of its population and, therefore, wheat imports are necessary. Sudan has a population approximately four times the size of Somalia whose food needs are considerably smaller ($5 million of PL 480 is being proposed for FY 1988).

Given Sudan's progress in moving toward a true democracy, the U.S. Government should continue to work with the GOS to support it in laying out political and economic policy reform options and, when necessary, supply food assistance in adequate amounts to meet the humanitarian needs of that country.

AID TO TANZANIA

SENATOR KASTEN: The justification materials indicate that A.I.D. intends to provide about $6.5 million to Tanzania. I was under the impression that Tanzania continues to be in violation of the Brooke Amendment and is therefore ineligible for U.S. assistance. Isn't that the case?

MR. LOVE: Assistance to Tanzania , we believe, no longer will be prohibited by the Brooke Amendment as of April 27, 1987, when a rescheduling agreement will go into effect.

Tanzania went into violation of the Brooke Amendment in February 1983. Since then, Tanzania has embarked on a comprehensive economic reform program. In 1986 the Tanzanian Government reached agreement with the International Monetary Fund (IM)F on a standby arrangement. In September 1986, a Paris Club met to initiate the rescheduling of bilateral debt. In March 1987, agreement was reached between the governments of Tanzania and the United States on the rescheduling of Tanzania's bilateral debt to the United States. A notification of this agreement was sent to the Congress. Unless Congress objects to the rescheduling, the Brooke prohibition will be lifted on April 27, 1987.

Subsequent to the standby arrangement with the IMF, the Government of Tanzania reached agreement with the World Bank on a multi sectoral rehabilitation program in November 1986. The program is comparable to a Structural Adjustment Facility. This program and the standby arrangement both carry conditions which require significant corrective economic measures by the

Government. Typical of these measures are agreements to move on currency devaluation, restrict public debt, ease and eliminate price controls, improve the allocation of foreign exchange and liberalize the domestic trade regime. So far, Tanzania has shown every sign of complying with the agreements. The donor community is optimistic that the Government will stick to the reform program.

BURKINA-FASO A.I.D. LEVELS

SENATOR KASTEN: The leader of Burkina Faso has in the past made a number of anti-American statements and other gestures contrary to our interests. You propose a program, however, of about $7.5 million for that country. How do you justify such a program in view of their very negative attitude and policy vis a vis the United States?

MR. LOVE: A.I.D. has sustained only a modest $1 million bilateral development assistance program in Burkina Faso in support of family health and agriculture over the past two years. The proposed FY 1988 program level will provide $1 million in continuing assistance to the country's agricultural institutions. In addition, approximately $5.8 million in P.L. 480 Title II commodities will be programmed in support of Catholic Relief Services' maternal and child health activities.

EDUCATION FUNDING IN AFRICA

SENATOR KASTEN: Mr. Love, it has come to the Committee's attention that Administrator McPherson is increasing by 50% the Education funds allocated to basic (primary and secondary) education in Africa. What strategy will guide these additional investments? Will this strategy include expanding access to elementary school for the rural female population? What steps are you taking to begin allocating these funds in early FY 1988?

MR. LOVE: No decision has been made to increase by 50% the Education funds allocated to basic education in Africa.

Funds for education in FY 1988 will be allocated within the overall level of the Development Fund for Africa. In addition to education, there are pressing needs for funds to sustain training programs in Africa and the human resources development activities in South Africa.

The Africa Bureau of A.I.D., however, is engaged in developing a new strategy for the expansion of basic education in African countries. The strategy will address ways in which African local communities can assume greater financial and administrative responsibility for the education of their children. The strategy will also look to greater collaboration with other donors and to assist in improving education management systems. We are also greatly concerned about the low completion rates for females in most African countries, and our strategy will examine ways for encouraging higher completion rates for females.

FEMALE EDUCATION IN AFRICA

SENATOR KASTEN: Mr. Love, in sub-Saharan Africa, females account for 80% of the agricultural production. The World Bank reports that the productivity of a farmer with four years of elementary education is, on average, 8.7% higher than that of a farmer with no education. Female illiteracy in Africa is 77%. A.I.D. funding to expand access to elementary school for this female workforce is zero. How do you explain this?

MR. LOVE: A.I.D. does not have funds specifically earmarked for expanding female access to elementary school. However, by helping countries to identify inefficiencies within their systems (and improve the management of education resources), A.I.D. is contributing to education expansion and increased access for girls.

Moreover, in all of its training and education programs, A.I.D. is actively concerned with greater participation of women. Africa Bureau's proposed strategy will examine ways to increase female participation. For example, the new phase of a regional training project will place special emphasis on significantly increasing training for African women.

BASIC EDUCATION IN SOMALIA

SENATOR KASTEN: For example, in Somalia, only six percent of primary school-age children complete primary school and pass the final exams. Only one in 16 females is literate. You are proposing to invest in FY 1988 roughly $15 million for agriculture, livestock, irrigation and graduate management training but nothing to expand or improve elementary education. Why? What kind of productivity base are we building?

MR. LOVE: In FY 1988, the planned level of $15 million is designated primarily for two continuing activities. These are Shebelli Water Management ($8.3 million) and Management Training ($6.0 million). Although there is a need for more investments in education, resources are not available.

The two projects which we plan to support are important in building a productivity base. They are both targeted at improving overall management capabilities in the public and private sectors. Management training will include an emphasis on strengthening the education sector.

SUBCOMMITTEE RECESS

Senator INOUYE. This concludes our hearing for this morning. We will stand in recess until 10:00 next Tuesday, March 24. At that time we will conclude our examination of A.I.D. bilateral economic assistance programs. On that day, we will also examine requests for American schools and hospitals abroad, international disaster assistance, A.I.D. private sector initiatives, housing and other guaranteed programs, and the Inspector General of the A.I.D.

Thank you once again, gentlemen.

[Whereupon, at 11:35 a.m., Thursday, March 19, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 24.]

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, MARCH 24, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:20 a.m., in room S–126, the Capitol, Hon. Daniel K. Inouye, (chairman) presiding.

Present: Senators Inouye, Lautenberg, Harkin, Mikulski, and Nickles.

AGENCY FOR INTERNATIONAL DEVELOPMENT

AMERICAN SCHOOLS AND HOSPITALS ABROAD

STATEMENT OF DAVID A. SANTOS, DIRECTOR, OFFICE OF AMERICAN SCHOOLS AND HOSPITALS ABROAD, BUREAU FOR FOOD FOR PEACE AND VOLUNTARY ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

ACCOMPANIED BY NANCY FREDERICK, ASSISTANT TO THE DIRECTOR

OPENING REMARKS OF SENATOR INOUYE

Senator INOUYE. The hearing will please come to order.

Before proceeding, I would like to announce that the subcommittee will defer consideration of the Asian Near East Program until Tuesday of next week when it expects to receive testimony from Julia Chang Bloch, A.I.D.'s newly-named Assistant Administrator for that Bureau.

This morning, once again, it pleases me greatly to welcome to our committee a Director who happens to be, I think, one of the most popular fellows around here. You must get more telephone calls from the U.S. Senate than any other office. One would think that your program is a most expensive one, the so-called ASHA program, the American Schools and Hospitals Abroad.

This morning we continue our examination of the President's request for fiscal year 1988 funding of foreign assistance and related programs. Today we will hear testimony in support of funding requests for a variety of programs administered by the Agency for International Development. Among the items to be discussed today are the following accounts: American Schools and Hospitals Abroad, International Disaster Assistance, AID Inspector General, Private Sector Initiatives, and Housing and Other Credit Guarantees.

A number of senior officials of the Agency for International Development will be appearing before the subcommittee today: David A. Santos is the Director of the ASHA program; Julia Taft is the Director of the AID Office of Foreign Disaster Assistance; Herbert L. Beckington is the Agency's Inspector General. Neal Peden is the Assistant Administrator of the Bureau for Private Enterprise; and Peter Kimm is the Director of the Office of Housing and Urban Development.

Today the subcommittee will be examining several of the smaller, but no less important, programs of the Agency for International Development. Indeed, the bureaus and offices which will come before the subcommittee today are often the leading edge of our assistance efforts. These programs are well known to the subcommittee and have traditionally received our strong support.

We expect that today's hearing will be brief but that should not be taken as a lack of interest. On the contrary, it should be taken as an indication of the confidence the subcommittee places in the able administrators and officials who are here today.

We have received your prepared statements. They will be placed in the record in full. If you wish you may summarize them.

We will begin with Mr. Santos and then proceed with Mrs. Taft, Mr. Beckington, Mrs. Peden, and Mr. Kimm, in that order. On behalf of the subcommittee, I welcome each of you.

ASHA PROGRAM

I am pleased to welcome the Director, David A. Santos, and you are here with your assistant, Nancy Frederick.

Mr. SANTOS. Thank you, Mr. Chairman. I would like to make a few initial comments, if I may.

Back in the late 1970's, this subcommittee urged us to increase the geographic diversity of the ASHA program and to do more in developing countries. I would just briefly like to review what has happened over the past 5 years.

In that time, we have had proposals from 135 different institutions. We have funded 79 of those institutions, and 36 of those institutions are institutions which are new to the program and that received assistance for the first time during the last 5 years. These institutions principally are in Africa, Asia and the Latin America/Caribbean Area.

All of these institutions have exciting stories to tell and the assistance that we have provided to them is being used expeditiously and well.

I would like to mention just a few examples. In the Philippines we have assisted a half-dozen institutions which have built libraries and new science centers. These institutions and their students, in the past year, participated with the National Movement for Free Elections in the Philippines to help ensure that voting lists were honest and that polling and voting was honest in the election last year.

I would like to mention some of the projects that we have in Central America. We are involved in assisting three institutions of higher education in that area which we think are especially good investments. They received almost $15 million in the past 5 years.

They are the Pan American Agricultural School, the University of the Valley of Guatemala, and Francisco Marroquin University. Collectively, these institutions enroll 5,000 students and they stress such areas as agriculture, education in horticulture, animal husbandry, marketing, food processing, and in the other cases, emphasis on the natural sciences, and emphasis on business administration and economics.

We think that these are especially worthy institutions that we are helping in Central America. We could go on with many of the institutions that are listed in the table attached to my statement, but that will give you an idea of some of the institutions that we are assisting.

I would be pleased to answer any questions you may have, Mr. Chairman.

[The prepared statement of David A. Santos follows:]

PREPARED STATEMENT OF DAVID A. SANTOS

DIRECTOR, OFFICE OF AMERICAN SCHOOLS AND HOSPITALS ABROAD
BUREAU FOR FOOD FOR PEACE AND VOLUNTARY ASSISTANCE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting us to appear before this Subcommittee on behalf of the Agency for International Development's Office of American Schools and Hospitals Abroad.

Strengthening Institutions that Share American Values

The Office of American Schools and Hospitals Abroad (ASHA) assists private, non-profit schools and hospitals overseas which serve citizens of other countries. These American-sponsored institutions provide to millions of people the benefits of American advances in education and medicine.

A major characteristic of ASHA-assisted institutions is their effective adaptation of American techniques to other cultures. This is accomplished by citizens of the United States and those of other countries working together on a close and continuing basis.

ASHA-assisted institutions educate a cadre of foreign citizens who can communicate, share values and work with Americans in business, government, the sciences and other beneficial endeavors. These institutions emphasize such American characteristics as individual initiative, free inquiry and innovative approaches to problem solving. Such characteristics are fostered in the training of future leaders and professionals who master disciplines essential to improving the common welfare and advancing economic and social development. These disciplines include agriculture, economics, business and public administration, medicine, nursing, public health, education, engineering and the arts and sciences.

As befits private institutions, operating costs are met principally by tuition, fees and private contributions. ASHA assistance stimulates additional private giving to meet program expenses, to build classroom, laboratory, library and dormitory facilities, and to purchase scientific, teaching and medical equipment. ASHA directs its grants principally to improving the physical facilities of institutions which are effectively delivering academic and medical services and which meet all or most of their operating expenses from sources other than the U.S. Government.

Beneficiaries

In the past five years (FYs 1982-1986), 79 educational and medical institutions throughout the world received ASHA assistance. Thirty-two of these institutions received assistance for the first time.

These 79 institutions are now annually educating 200,000 students from more than 100 countries, almost double the number of three years ago. Medical services are now provided to more than four million persons each year, an increase of one-third from three years ago. These increases in enrollment and patient load result from both ASHA-financed expansion of facilities and the addition of new grant recipients.

The attached table sets forth grant recipients during the last five years by country, institution and fiscal year. The 32 new recipients are identified with asterisks.

Broadening Geographic Distribution

In 1979, the goal of increasing the program's geographic distribution was adopted and reflected in program criteria. The following table compares the eight year periods prior to and beginning with 1979. The proportion of the budgets going to institutions in Africa, Asia and Latin America increased from 27 to 50 percent. The dollars going to these regions increased 134 percent.

DISTRIBUTION OF ASHA FUNDS BY REGION
Comparison of Periods Before and After Establishing
Goal of Increased Geographic Distribution
(In Thousands of U.S. Dollars)

Region	Granted 1971-1978	% of Total	Granted 1979-1986	% of Total	Dollar Change
Africa	$ 1,325	1%	$ 22,189	11%	+1,575%
Asia	14,855	9	33,328	16	+ 124
Latin America	27,339	17	46,149	23	+ 69
Subtotal:	$ 43,519	27%	$101,666	50%	+ 134
Europe	$ 24,120	15%	$ 13,535	7%	- 44
Near East	91,282	58	87,294	43	- 4
Subtotal:	$115,402	73%	$100,829	50%	- 13
TOTAL:	$158,921	100%	$202,495	100%	+ 27

Fiscal Year 1988 Request

A.I.D. is requesting $20 million to continue this educational and medical support program. The program will give priority to those institutions which best serve as study and demonstration centers for American ideas and practices, have good self-help records and offer the greatest potential for developing human resources.

AMERICAN SCHOOLS AND HOSPITALS ABROAD
GRANTS BY COUNTRY AND INSTITUTION, FYs 1982-1986*
(In Thousands of Dollars)

COUNTRY AND INSTITUTION	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	TOTAL
Botswana	-	600	550	425	800	2,375
Kanye Hospital, Kanye	-	600	-	-	800	1,400
Maru a Pula School, Gaborone	-	-	550	425	-	975
Brazil	200	-	150	-	192	542
Esperanca, Santarem	200	-	150	-	192	542
Cameroon	-	-	-	325	-	325
*Hospital Central D'Enongal, Enongal	-	-	-	325		325
Egypt	800	900	1,000	2,250	1,750	6,700
American University in Cairo	800	900	1,000	1,850	1,750	6,300
*Holy Family College, Cairo	-	-	-	400	-	400
Federated States of Micronesia	-	-	-	-	600	600
*Xavier High School, Truk Island	-	-	-	-	600	600
Greece	725	695	1,380	1,075	700	4,575
American College of Greece, Athens	300	-	380	-	500	1,180
American Farm School, Thessaloniki	425	295	350	475	-	1,595
Anatolia College, Thessaloniki	-	200	375	600	200	1,375
Athens College, Athens	-	200	275	-	-	475
Guatemala	950	875	1,825	850	2,500	7,000
Hospital de la Familia, Nuevo Progreso	-	-	125	-	-	125
*Francisco Marroquin University, Guatemala City	-	-	1,000	-	1,900	2,900
University of the Valley, Guatemala City	950	875	700	850	600	3,975
Haiti	150	200	-	675	1,385	2,410
*American University of Les Cayes, Les Cayes	-	-	-	-	700	700
*Bohoc Technical Institute, Bohoc	-	200	-	375	330	905
*Hospital St. Croix, Leogane	150	-	-	300	355	805
Honduras	1,500	1,655	1,700	2,500	1,643	8,998
Panamerican Agricultural School, Zamorano	1,500	1,455	1,700	1,700	1,443	7,798
*Escuela Internacional Sampedrana, San Pedro Sula	-	200	-	800	200	1,200

*Indicates first time recipient during this five year period.

COUNTRY AND INSTITUTION	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	TOTAL
India	500	500	900	1,410	950	4,260
*Kodaikanal School, Tamil Nadu	-	-	-	300	-	300
Ludhiana Christian Medical College and Hospital	-	500	500	500	500	2,000
*Vellore Christian Medical College & Hosp.	500	-	400	500	450	1,850
*Woodstock International School, Musoorie	-	-	-	110	-	110
Israel	2,950	3,100	4,100	4,650	5,450	20,250
*American College of Belz, Jerusalem	-	-	-	500	-	500
Beth Rivka Comprehensive School, Kfar Chabad	-	300	450	-	-	750
*Boys Town Jerusalem	800	250	-	300	-	1,350
*Children's Town, Jerusalem	-	-	-	-	500	500
*Emunah Women of America Community College, Jerusalem	-	450	-	200	-	650
Feinberg Graduate School of the Weizmann Institute of Science, Rehovot	1,000	750	1,200	500	750	4,200
Gan Yavne Youth Village, Gan Yavne	-	-	-	150	-	150
Hadassah Medical Center, Jerusalem	1,000	850	1,500	1,500	1,500	6,350
*Harry S. Truman Research Institute for the Advancement of Peace, Jerusalem	-	-	-	-	150	150
Jerusalem College of Technology	-	-	250	-	-	250
*Kfar Silver, Ashkelon	-	-	200	-	-	200
Laniado Hospital, Netanya	-	-	-	500	-	500
*Machaniam High School, Kiryat Gat	-	-	-	-	200	200
*Mother and Baby Hospital, Jerusalem	-	-	-	-	1,250	1,250
*Music Foundation, Jerusalem	-	-	-	-	200	200
Or Hachayim Girls College, Bnei-Brak	150	-	-	-	-	150
Ohr Somayach School, Jerusalem	-	-	-	1,000	-	1,000
*Sha'Alvim Teacher's College, D.N.Agalon	-	-	-	-	400	400
Shaare Zedek Hospital, Jerusalem	-	500	500	-	500	1,400
Italy	225	200	325	350	325	1,425
Center for Advanced International Studies, Bologna	225	200	325	350	325	1,425
Jamaica	-	-	625	-	225	850
*St. George's College, Kingston	-	-	625	-	225	850
Jordan	200	-	400	250	-	850
*American Center for Oriental Research, Amman	200	-	400	250	-	850

COUNTRY AND INSTITUTION	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	TOTAL
Korea	1,150	300	800	1,300	400	3,950
*Chung Ang University, Seoul	-	-	-	-	400	400
*Kwangju Christian Hospital, Kwangju	-	-	250	-	-	250
Presbyterian Medical Center, Jeonju	200	200	-	400	-	800
Sogang University, Seoul	950	-	550	-	-	1,500
Soong Jun University, Seoul	-	-	-	900	-	900
*St. Joseph's Girls High School, Cholla Nam Do	-	100	-	-	-	100
Lebanon	4,000	4,250	5,000	5,350	6,200	24,800
American University of Beirut	4,000	4,000	5,000	5,000	6,000	24,000
Beirut University College	-	-	-	350	200	550
International College of Beirut	-	250	-	-	-	250
Liberia	-	900	650	600	700	2,850
Cuttington University College, Suacoco	-	900	650	600	700	2,850
Malawi	400	-	-	700	550	1,650
Malamulo Hospital, Makwasa	400	-	-	700	550	1,650
Mexico	700	-	1,500	-	1,000	3,200
*American British Cowdray Hospital, Mexico City	-	-	1,000	-	1,000	2,000
University of the Americas, Puebla	700	-	500	-	-	1,200
Pakistan	-	-	-	-	500	500
*Nancy Fulwood Hospital, Sahiwal	-	-	-	-	500	500
Philippines	1,190	1,300	1,200	1,100	650	5,440
*Angeles University, Angeles City	-		-	-	650	650
*Ateneo de Davao University, Davao City	1,190	-	-	250	-	1,440
*Ateneo de Manila University, Quezon City	-	-	1,200	-	-	1,200
*Ateneo de Zamboanga, Zamboanga City	-	-	-	850	-	850
De La Salle University, Manila	-	800	-	-	-	800
Silliman University, Dumaguete City	-	500	-	-	-	500
Poland	300	150	750	250	325	1,775
American Children's Hospital, Krakow	300	150	750	250	325	1,775
Rwanda	-	575	-	-	-	575
Mugonero Hospital, Kibuye	-	575	-	-	-	575
Sudan	-	-	425	-	-	425
*Loyola Secondary School, Wau, Bahr el Ghazel	-	-	425	-	-	425

COUNTRY AND INSTITUTION	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	TOTAL
Thailand	960	500	1,225	700	850	4,235
Bangkok Adventist Hospital	-	-	725	700	-	1,425
*Lampang College of Commerce & Technology	-	-	-	-	850	850
Payap College, Chiang Mai	960	500	500	-	-	1,960
Turkey	750	550	680	650	1,025	3,655
Admiral Bristol Hospital, Istanbul	750	550	400	650	725	3,075
*American Collegiate Institute, Izmir	-	-	-	-	300	300
Robert College, Istanbul	-	-	280	-	-	280
West Bank	-	-	1,000	-	-	1,000
*Bethlehem University, Bethlehem	-	-	1,000	-	-	1,000
Zaire	-	550	715	550	850	2,665
Good Shepherd Hospital, Kananga	-	550	715	550	850	2,665
Zambia	-	-	600	690	-	1,290
Mwami Adventist Hospital, Chipata	-	-	600	690	-	1,290
Worldwide	2,350	2,200	2,500	3,350	3,925	14,325
Project HOPE Schools of Health Sciences	1,600	1,500	1,500	1,500	2,000	8,100
Project ORBIS	750	700	1,000	1,850	1,925	6,225
TOTALS:	20,000	20,000	30,000	30,000	33,495	133,495

Senator INOUYE. Mr. Santos, I really do not have any questions to ask. This is not an indication of a lack of interest that this subcommittee has. On the contrary, it is because of the high regard for your management of this program.

In fact, it pleases me as a Member of the U.S. Congress to find some agency, bureau or division that is responsive to the requests made by the Congress. For example, we requested some time ago that you increased the coverage geographically and in number of students, and you have done so in a magnificent manner. That pleases us.

PROGRAM FUNDING

The only question is, wherever we go—not only here in the Congress, but out in the field—we hear only praise for this program; that it is a great success story; that it demonstrates American values and ideals.

If that is the case, why is the administration proposing to cut this program by almost half?

Mr. SANTOS. The administration actually has increased its budget request by 100 percent, from $10 million to $20 million. I think it reflects the fact that the administration has seen the merit of many of the kinds of institutions that we have been assisting.

I think in view of the overall budget stringencies, I don't think they felt that the request could be any higher than the $20 million requested for 1988.

Senator INOUYE. You would not shed tears if it is increased, would you?

Mr. SANTOS. No, sir.

Senator INOUYE. I like that smile. [Laughter.]

May the record so show.

Mr. SANTOS. Maybe it had better not. [Laughter.]

PREPARED STATEMENT

Senator INOUYE. Mr. Santos, several members of the committee, especially Senator Kasten, the ranking member, and Senator D'Amato wanted to be here. Senator D'Amato indicated he would like to submit a statement, I presume in praise and commendation, and a few questions. So, without objection, that statement will be made part of the record at this point, and if we may, we would like to submit those questions for your consideration.

Thank you, very much.

Mr. SANTOS. Thank you, Mr. Chairman.

[The prepared statement of Senator D'Amato follows:]

PREPARED STATEMENT OF HON. ALPHONSE D'AMATO

U.S. SENATOR FROM NEW YORK

Mr. Chairman, I welcome David Santos, Director of the American Schools and Hospitals Abroad Program, Frederick Cole, Acting Director of the Office of U.S. Foreign Disaster Assistance, Herbert L. Beckington, AID Inspector General, Neal Peden, Assistant Administrator for the Bureau of Private Enterprise, and Peter Kimm, Director of Housing and Urban programs. I look forward to your testimonies.

The administration's fiscal year 1988 request of $6.44 billion for AID's Bilateral Assistance Program is only a slight increase over fiscal year 1987 figure of $6.35 billion, but will represent an actual reduction if Congress agrees to the administration's supplemental request. Of those programs covered by today's hearing, most will experience a significant budget cut.

I want to express my particular concern over the fiscal year 1988 request of only $20 million for the American Schools and Hospitals Abroad Program. Although it is double the usual request for this important program, it falls woefully short of this year's funding of $35 million for ASHA. For years, the administration has tried to emasculate this program, and each year Congress is forced to restore proper funding levels. Last year, I cosponsored a successful amendment to increase funding for ASHA to $35 million.

The ASHA Program is one of our major foreign policy successes. The United States is the leader in medical care and education and ASHA shares this useful knowledge with friendly and needy countries. ASHA fosters a positive U.S. image abroad while expanding the benefits of our advanced technology. I am confident that this committee will once again restore funding for the American Schools and Hospitals Abroad Program.

I look forward to working with you all regarding these programs during the difficult budget process this fiscal year.

Thank you, Mr. Chairman.

OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE

STATEMENT OF JULIA V. TAFT, DIRECTOR, OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Senator INOUYE. We will now consider the AID Office of Foreign Disaster Assistance. The committee is very pleased to have with us Ms. Julia Taft. Ms. Taft, welcome.

Please proceed. We have received your full statement. Without objection, all of the statements will be made a part of the record.

Ms. TAFT. Thank you, very much. I am delighted to be here. I would like to read a few points and then would welcome any questions you might have about our program.

As you know, it is impossible to predict accurately the number and magnitude of future disasters, but the Office of Foreign Disaster Assistance has found that its typical annual budget of $25 million, complemented by its legislative borrowing authority, is adequate to provide the U.S. response to worldwide disaster needs.

Already, we are about half way through the year. We have had about 23 disaster declarations this year, and expended approximately half of the $20 million of the regular appropriated funds that we currently have available through this year.

Of course, supplemental appropriations such as those provided for El Salvador and other large disasters have been made available in times of greatest need and we are especially indebted to the support of the American people and Congress under such circumstances.

OFDA STRATEGY

The past 2 years have been a time of continuing human suffering resulting from natural and manmade disasters. The destructive earthquakes in El Salvador and Ecuador attest to the economic and social vulnerability of less developed countries to the ravages of strong ground motion and attendant hazards of flooding, landslides, building collapses and damages to lifelines.

In addition, we have had major cyclone disasters in Fiji, Vanuatu, the Solomons, Cook Islands, and Madagascar. We have had locust infestations in a dozen African countries, and a number of other disasters to which we have responded that are the results of impacts of civil war and famine, especially in southern Africa and the Horn of Africa.

All of this has occurred against a backdrop of declining funds available in the development assistance and disaster relief accounts.

As you know, OFDA has been operating on a basic budget of $20 million during this fiscal year, with some supplemental carryover. With the dramatic decline of funds, we are refocusing our efforts away from larger, private and voluntary organization grants and equipment expenditures for early warning systems, to the provision of technical assistance and experts at the time of a disaster to help the country pull together its disaster response and to start down a path of recovery.

We believe that the concentration on using people throughout the Federal Government and their special expertise to address the actual and impending crises is a very cost-effective way for us to live up to our mandate as the coordinator for U.S. Government-wide responses to disasters.

This strategy, however, does not preclude the sending of relief commodities and equipment to disaster-stricken areas where they are essential to lifesaving interventions.

RESTOCKING OF SUPPLES

Toward this end, we have implemented, as part of our strategy, procedures to monitor, inventory and selectively restock our five stockpiles.

I know, sir, that you and this committee have had a great interest in those stockpiles. We have worked very diligently in the last year to make sure that they include the very best American commodities, the most appropriate ones and ones that will serve well the recipients to whom they are sent.

What you said about Mr. Santos' program I hope you can feel applies to us. We have received consistently remarkable praise for the kind of interventions that we have provided. The host countries, the ambassadors, the agencies with whom we are working are consistently impressed not only with our timely response, but with the fact that in providing a multiagency assistance, which we do, so many of the other Federal agencies that participate are realizing that they are learning in the process of contributing with us.

This has been particularly true with the U.S. Geological Survey. They have learned a lot about monitoring volcanoes and earthquake seismic motion that is very applicable to their own domestic programs here. The same is true for the Environmental Protection Agency when we involved EPA specialists in the Lake Nyos, Cameroon toxic gas explosion. They were working with us on the analysis of that disaster.

The same is true for our interest now in working with the military reservists in Ecuador on repairing some of the lifelines to the affected populations. The Defense Department has said there is no better training—they have never had a chance to do this kind of training in such a difficult climate and terrain.

We feel that our efforts in the past year to regularize and systematize our linkage to other Federal resources has been cost-effective for the Government, has been helpful domestically and certainly has improved our response.

I am very pleased to be a part of this, and having survived the first year's many disasters, I feel we are going in the right direction. We always welcome any ideas you have, and I would be glad to answer any questions.

[The prepared statement of Julia V. Taft follows:]

PREPARED STATEMENT OF JULIA V. TAFT, DIRECTOR

OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, thank you for giving me this opportunity to discuss our International Disaster Assistance request for Fiscal Year 1988.

Although it is impossible to predict accurately the number and magnitude of future disasters, The Office of U.S. Foreign Disaster Assistance (OFDA) has found that its typical annual budget of $25 million, complemented by its legislated borrowing authority, is adequate to provide the U.S. response to worldwide disaster needs.

Of course supplemental appropriations such as those provided for El Salvador and other large disasters have been made available at times of greatest need, and we are especially indebted to the support of the American people and the Congress under such circumstances.

The past two years have been a time of continuing unprecedented human suffering resulting from natural and manmade disasters. Destructive earthquakes in El Salvador and most recently in Ecuador attest to the economic and social vulnerability of less developed countries to the ravages of strong ground motion and the attendant hazards of flooding, landslides, building collapse, and damages to lifelines. In addition, there have been major cyclone disasters in Fiji, Vanuatu, the Cook Islands, and Madagascar; locust and grasshopper infestations in a dozen African countries and many other sudden disasters to which OFDA has provided immediate assistance. These events have claimed thousands of lives throughout the world and have affected hundreds of thousands more. At the same time millions of people continue to be at risk due to insect infestations, drought impacts, civil war, and famine, especially in southern Africa and the Horn of Africa.

All this has occurred against a backdrop of declining funds available in development assistance and disaster relief accounts. As you know, OFDA has been operating on a basic budget of $20 million during this fiscal year, with some supplemental carryover funds from the prior year appropriations. With the dramatic decline in funds now available, we are refocusing our efforts away from larger private and voluntary organization grants and equipment expenditures for early warning and logistics operations, to the provision of technical experts and disaster management and operations assistance. We believe this concentration on using people and their expertise to address actual and impending crises is perhaps the most cost effective, major contribution we in A.I.D. can make.

This strategy however, does not preclude the sending of relief commodities and equipment to disaster-stricken areas where they are essential to the saving of lives. Toward this end we have implemented, as part of our strategy, procedures to monitor, inventory and selectively restock our five stockpiles worldwide. We have also sought to place new commodities in our stockpiles which are tailored to the needs of potential victims in each region where stockpiles are located.

As a direct result of our ongoing activities in Africa to combat a potential infestation of locusts of plague proportions, as well as the experience gained in the aftermath of the African famine, we are increasing our understanding of the impacts of disasters on the development process. Today there is much greater appreciation in A.I.D. and other agencies of government, such as The National Oceanic and Atmospheric Administration (NOAA) and the U.S. Geological Survey (USGS), concerning the linkages between disasters and development issues. Disaster assistance is viewed more as a technical, social, and management challenge than as just the delivery of tents and blankets, although the latter is integral to the overall goal of saving lives and reducing suffering.

This past year we have seen again how disasters abroad can result in extraordinary media coverage, whether it be from an exploding lake in Cameroon or dramatic search and rescue operations in Latin America. This coverage has had a positive effect on the donor community and has increased our commitment to respond to peoples' needs in a cost-effective, timely manner.

OFDA is currently implementing new disaster response procedures based on the Incident Command System used by the U.S. Forest Service and other agencies. These procedures will make OFDA's response even more efficient. We are also pursuing a variety of donor coordination efforts with private and voluntary organizations, international organizations and other countries, which will result in improved stockpiling, needs assessment and response coordination. By using OFDA funds to leverage and facilitate expanded private sector donations, we will also be able to conserve some of our own resources.

OFDA's emergency relief coordination capability has become increasingly more sophisticated in the last two years. The office has been structured to meet crises on a geographic basis. As a result, there has been improved operational readiness leading to greater efficiency in logistics and response, based on improved operational readiness. We are systematically defining OFDA's operational response criteria; revising action procedures, including the adoption of lessons learned; improving emergency planning based on increased warning leadtimes; and making more effective use of Department of Defense (DOD) logistics support. OFDA's relief and rehabilitation strategy for FY 1988 will integrate a number of initiatives into a coordinated U.S. Government rapid "first response" capability which (1) saves lives and reduces suffering; (2) clearly demonstrates U.S. humanitarian concern for victims of foreign disasters; and (3) demonstrates U.S. Government operational technical assistance in support of host country disaster management.

These initiatives are presented in detail in our Congressional Presentation under the FY 1987 and FY 1988 Program Summaries. Our overall strategy designed to implement the FY 1988 Program contains three areas of emphasis: (1) emergency relief coordination, (2) host country disaster management and (3) disaster-related technology transfer. I believe this strategy and our proposed program represent a direct path to meeting our FY 1988 goals and objectives.

Mr. Chairman, I am extremely pleased with the performance and progress made by the Office of U.S. Foreign Disaster Assistance. I can assure you of our continuing dedication and perseverance in coordinating the U.S. Government response to disasters abroad. Furthermore, I want to offer you my personal gratitude for your consistent support through the years. We are indeed partners in meeting the critical needs of the less fortunate in the face of disaster.

EL SALVADOR EARTHQUAKE ASSISTANCE

Senator INOUYE. Mrs. Taft, I can assure you that this Subcommittee looks upon the work of your staff as one worthy of great commendation. In fact, we feel that you have projected a very positive image of the United States abroad.

In my questioning, you will soon realize that what we are trying to do is to add to your authority, in fact, not diminish it. For example, we will be considering your $25 million request, and up until recently we had a $100 request for El Salvador for earthquake. Now, we learn that the administration is withdrawing the request and instead adding $100 million in Economic Support Fund for El Salvador.

Ms. TAFT. It is the same $100 million request.

Senator INOUYE. We thought that you should be the one handling this. Now the question is, is it because the ESF would have better authority to handle disaster problems, or your office has a better handle over this. I had the impression that since you are in charge of disaster assistance, that this is the shop that should be handling this.

Ms. TAFT. I appreciate your views. Let me say that I was not reluctant, or posed no objections when I heard that they were going to put the $100 million in ESF. Quite frankly, sir, our staff is very small and the types of programming that needed to be done, both for the $50 million which was under the IDA Account for El Salvador, and the $100 million being requested, require extensive programming discussions and negotiations with the host countries. The A.I.D. mission in its allocations of the $50 million, spent a great deal of its staff time working on this and negotiating item-by-item with the Government of El Salvador.

With all the other disasters in our portfolio, we don't have the capability for such intensive programming.

Senator INOUYE. Do you need authority to borrow staff from other A.I.D. functions?

Ms. TAFT. If we need staff, we usually can borrow staff. I think the question here is, whether it is appropriate and cost-effective from the standpoint of management to have our small office, or any office in Washington, try to negotiate the elements of a reconstruction program which is in the field.

AID MISSION RESPONSIBILITY

Our sense is that the way it was divided was more appropriate with us coming in early on to provide the emergency disaster relief assistance. We spent over $2 million in the first 4 weeks working on the immediate response, helping the government organize its assessments, getting the distributions organized and setting in motion the recovery. At that point, it really is the A.I.D. mission which must take over and work on a day-to-day basis with the government.

They are talking about loan programs with the local procurement of commodities for housing and for prioritizing the road reconstructions and the relocation of people. All of this is very technical and that is what the A.I.D. missions are most capable of doing.

I think it is appropriate for that requested $100 million not to be in our account. I am glad it is being requested. It is part of the $300 million for Central America. I feel very comfortable with that.

Senator INOUYE. Is it part of the $300 million, or is it an addition?

Ms. TAFT. No, sir. It is part of the $300 million. There is not $100 million more, but it is $100 million earmarked for El Salvador reconstruction within the $300 million for Central America.

USE OF BORROWING AUTHORITY

Senator INOUYE. You have borrowing authority, I presume, under the law.

Ms. TAFT. Yes, sir.

Senator INOUYE. Did you use this authority in this fiscal year?

Ms. TAFT. We are considering whether we will need to use that authority. I have just notified the appropriate office.

Senator INOUYE. For what purpose?

Ms. TAFT. We have $13 million left of our regular account for this fiscal year. We are half-way through the year, but I have obligations, or the possibility of obligations measuring up to about $12 million, including what we are going to do in Ecuador, our plans for southern African famine relief, the Sudan, and the locust infestation. So I could see I would be running out of money fairly soon.

I just alerted the A.I.D. budget officials that we may need to exercise the borrowing authority. We have $50 million of borrowing authority; I am hoping that $10 million will be adequate.

Senator INOUYE. It is not for El Salvador?

Ms. TAFT. No, sir. None of that is for El Salvador.

STOCKPILE MAINTENANCE

Senator INOUYE. I presume you still maintain reasonable stockpiles?

Ms. TAFT. Yes, sir.

Senator INOUYE. Have you had any inventory taken?

Ms. TAFT. Yes, as a matter of fact in my consultations with Mr. Collins, when I first came on board last year, that was the first question he asked me. I immediately assigned a logistician to schedule an interview with all the stockpile managers, to do a crate-by-crate inventory, to give away commodities that are not appropriate, and to restructure those that are remaining to make sure that they are in the right locations and have the right mix.

We have done an amazing job this past year, and I can assure you that we are planning to conduct individual inventories for this year, as well.

Senator INOUYE. On this recent Ecuadorean earthquake, what stockpile did you use?

Ms. TAFT. We used SOUTHCOM, the military Southern Command in Panama. I was there during the disaster and was able to see it being managed first-hand.

Senator INOUYE. Did you find the pre-position stockpile to be appropriate and sufficient?

Ms. TAFT. I certainly did.

Senator INOUYE. Do you have anything in the request you are making to replenish this?

Ms. TAFT. We have $1 million within our total budget that will go for replenishing certain stocks. One of the things that we are doing this year is in our requested proposal for new plastic sheeting—which is the best plastic sheeting in the world, very versatile and extraordinarily effective. We are also going to add a component that every 4 feet there will be the "hand-clasped" sign and the "Gift of the People of the United States" statement. This plastic sheeting is requested all the time because it is so good, but we didn't have any symbol on it.

We are making sure that the American symbols are on that.

Because of the large number of search and rescue operations due to earthquakes that have occurred in Latin America, we are going to solicit bids for one or two major pallets of special items that will be configured for an earthquake or a volcanic event where you need a mixture of hard-hats and shovels and things like this. We don't carry these items in our stockpiles now. However, when there is a future event, we can immediately put them on the airplane and get them to the disaster site to be made available for search and rescue.

As I mentioned, I recently was in Panama trying to coordinate better our response with the Department of Defense. They have really given us very good service. The Panama stockpile that they manage, we feel, is essential, particularly located here in this hemisphere.

We are working on this, and I feel that the word is out as to which American commodities are most appropriate and needed. We have been working closely with our ambassadors so that they request the right kinds of things for us to send.

STOCKPILE MAINTENANCE

Senator INOUYE. I suppose some of the items in the pre-position stockpiles have limited life.

Ms. TAFT. Yes, sir.

Senator INOUYE. Do you rotate these?

Ms. TAFT. Yes, sir. The oldest commodities are used first in response to a disaster. There were some commodities, as a result of our inventory, that were considered sub-standard. I am not sending anything substandard with the U.S. seal on it. So we gave away a number of cots to Mother Theresa and to the refugee camps in Thailand, from the Singapore stockpile.

We have given away several of the generators that were difficult to transport and flood lights that were difficult to maintain and not well kept. This past week, in Panama when we were doing the inventory there, my logistician showed me several hundred blankets that had some mildew in them that we are also not going to be using.

It does require an annual review. We do have managers of the stockpile that we pay to do this. This is one of the questions we have with the U.S. Southern Command—how well they are managing the stockpile.

I can assure you that it is going to be managed better.

But one thing I would like to emphasize is, that as important as the stockpiles are, we really have done something unusual this year in terms of sending people and technical assistance—multi-disciplinary technical assistance to really help the countries. Also we use some of our money for local procurement rather than stocking goods because, if there is a disaster in a country where there are plenty of blankets, it certainly doesn't make any sense for us to send plenty of blankets to that country. To the extent we can help the local economy and have a ready response, if we can transfer money for local procurement of those items, we do that.

In Ecuador, for instance, kitchen utensils and cooking items were needed. We don't carry those items in our stockpile, but there is no reason to purchase those kinds of commodities in the United States which might be culturally inappropriate. It is better to get them locally and get them out to the field right away.

We are trying to maintain a balance between waving the American flag by using American products with the local procurement and the technical assistance. As we get more experience in this, I would be more than pleased to meet with you to discuss our approach.

NON-RELIEF PROGRAM ACTIVITIES

Senator INOUYE. I have just one final question. In your request for the coming fiscal year of $25 million, $19 million is for disaster.

Ms. TAFT. Yes, sir.

Senator INOUYE. Then you have $6 million set aside for non-relief activities. What are non-relief activities?

Ms. TAFT. I am glad you asked. They fall into three major categories. One is in disaster preparedness in which we work with host countries to organize their own civil defense, to organize their disaster response, to do hazard maps; to be prepared to handle their own disasters.

Senator INOUYE. These are in disaster-prone countries?

Ms. TAFT. Yes, sir. This is very important. Just as a vignette, in El Salvador, for instance, the countries which sent search and rescue teams and provided assistance were the same people that we had trained. We have trained El Salvadorans, we have trained the Guatemalans, we have trained the Mexicans and the Costa Ricans in their own disaster-response capability and their own search-and-rescue techniques. Those countries came to help El Salvador because they were trained and we were all using the same techniques with our people who were there.

Ultimately, since there is such a close tie between disasters and development, it is very exciting when one starts seeing the countries themselves feel as though they can start handling their own disasters. I think they reach that point when they start offering their assistance to others.

That is something that we do in every region, with the exception of Africa. We don't have many preparedness programs in Africa because we have so many disasters we are working on right now.

The second area that is included in those requested funds for non-relief activities is the stockpile replenishment, about $1 million a year. The third major category is in early-warning systems.

As you know, we have been supporting a circum-Pacific seismic analysis so that we know and can help identify the most dangerous areas for potential earthquakes and then work with the preparedness people in those countries. We have a Tsunami warning system; we have a famine early-warning system that brings economic data and meteorological data to bear on the likelihood of droughts, particularly in Africa; and we have a storm-warning system with the National Oceanic and Atmospheric Administration and the Navy, as well as a special system with Bangladesh.

So that is where the other funds are allocated.

Basically, we think that we can't detract from that source because that really is an investment in helping us be prepared, and in helping the countries be prepared.

Now, of the $25 million, I hope to get every penny of the $25 million. If we don't, we will be in serious jeopardy. But we are counting on the fact that if there are extraordinary requirements, we do have the $50 million borrowing authority, over and above that, which we can leverage.

Senator INOUYE. Mrs. Taft, I can assure you that you will get your $25 million.

Ms. TAFT. I appreciate that, sir.

Senator INOUYE. That is demonstration of our great faith in your operations.

Ms. Mikulski?

DISASTER MANAGEMENT AND COORDINATION

Senator MIKULSKI. Mr. Chairman, I have no questions. You have very ably asked the ones that I have. I would just like to comment to Ms. Taft, that the idea of disaster management is an excellent one, as well as the early-warning system. I think the running in and rescuing makes people feel good, but it doesn't help the country help itself.

I was particularly heartened by what you said where other Central American countries came in because, not only did they use a common technology and a common training, they had a common language, which I am sure really facilitated on-the-ground search and rescue.

If everybody knows what they are doing, using the same equipment with the same language, I am sure that things went much more humanely and expeditiously.

Ms. TAFT. Thank you. That is, in fact, the case. It was somewhat complicated in El Salvador by a number of other countries outside of this hemisphere which sent people who did not speak Spanish and didn't use the same techniques. But we are working on that.

We work a lot with other donors and U.N. agencies. I am going to be working with them next week on standards for appropriate disaster response, and to make sure that the people who are sent do speak the language and are using common operating procedures. We are trying to pull all this together.

It is dramatic and it gets lots of good news coverage the first day, but it doesn't necessarily help in the long term. I appreciate your comments.

Senator INOUYE. Senator Nickles?

Senator NICKLES. I do not have any questions, Mr. Chairman.

Senator INOUYE. Once again, I thank you, very much.

Ms. TAFT. Thank you, sir.

INSPECTOR GENERAL

STATEMENT OF HERBERT L. BECKINGTON, INSPECTOR GENERAL, AGENCY FOR INTERNATIONAL DEVELOPMENT

ACCOMPANIED BY JAMES B. DURNIL, DEPUTY INSPECTOR GENERAL

BUDGET REQUEST

Senator INOUYE. Our next witness is the Inspector General for the Agency for International Development, Herbert L. Beckington.

Mr. BECKINGTON. Mr. Chairman.

Senator INOUYE. Once, again, welcome, sir.

Mr. BECKINGTON. With your permission, I will ask Mr. Durnil, my Deputy, to join me.

Senator INOUYE. Welcome, sir. Your full statement, as I indicated, has been received and will be made part of the record, and you may proceed as you wish, sir.

Mr. BECKINGTON. The budget request, Mr. Chairman, for the Inspector General for fiscal year 1988 is essentially frozen at the fiscal year 1987 level. The additional $500,000 is not associated with the operations of the IG, but with the changes in the retirement laws that we must fund.

That appropriation will permit us to continue our level of audit and investigative oversight at current levels, and to maintain a very small, essentially subsidiary security program which in A.I.D. is the responsibility of the Inspector General.

AUSTERE AUDIT COVERAGE

The audit coverage, as I have noted in my witness statement is, in my judgment, very austere. We will typically cover approximately one-quarter of the total foreign aid appropriation administered by my Agency, and do that on a 5-year cycle.

We have, over the past year or so, changed somewhat the focus of some of our audit work, looking more at basic management systems and a little less at individual projects. We have identified a number of management concerns and short-falls, which I note examples of in my witness statement.

I am happy to report, Mr. Chairman, that the separate Inspector General appropriation, which was an initiative, really, of this subcommittee 2 years ago, is working well. I think it is doing what it was intended to do in the sense that it has strengthened and enhanced the independence of the Inspector General function in A.I.D.

I am also pleased to report that after considerable effort we now have underway in a meaningful way, I believe, an augmenting audit effort in which we use private accounting firms overseas to augment the Inspector General's direct-hire staff.

That will add to our audit coverage primarily in the financial and compliance-type areas.

Finally, I would note that we have had a very active year on the criminal-investigative side of the Inspector General's responsibilities in A.I.D., with probably more criminal convictions and various sanctions, disciplinary in nature—suspensions and so on—than we have ever had in any previous year.

I am prepared to respond to your questions, sir.

[The prepared statement of Herbert L. Beckington follows:]

Prepared Statement of Herbert L. Beckington

INSPECTOR GENERAL, AGENCY FOR INTERNATIONAL DEVELOPMENT

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I AM PLEASED TO APPEAR BEFORE YOU TODAY TO DISCUSS THE FISCAL YEAR 1988 BUDGET REQUEST FOR THE OPERATING EXPENSES OF THE A.I.D. OFFICE OF INSPECTOR GENERAL. WITH ME TODAY IS MR. JAMES B. DURNIL, DEPUTY AND ALSO ASSISTANT INSPECTOR GENERAL FOR AUDIT.

THE FISCAL YEAR 1988 REQUEST FOR IG OPERATIONS, $22.7 MILLION, BASICALLY MAINTAINS THE IG'S PLANNED 1988 OPERATIONS AT THE SAME LEVEL PROVIDED BY THE FISCAL YEAR 1987 APPROPRIATION, $22.2 MILLION. THE INCREASE OF $500,000 IS ATTRIBUTED TO STATUTORY INCREASES IN OUTLAYS FOR RETIREMENT COSTS. THE 1988 REQUEST PERMITS THE CONTINUATION OF WHAT I CONSIDER TO BE A VERY AUSTERE PROGRAM OF AUDIT AND INVESTIGATIVE OVERSIGHT OVER THE HIGHLY VULNERABLE FOREIGN AID PROGRAM PLUS A LIMITED PERSONNNEL AND PHYSICAL SECURITY PROGRAM FOR THE AGENCY.

WHAT DO I MEAN BY MAINTAINING OUR OPERATIONS AT "PRESENT LEVELS"? IN THE PAST FISCAL YEAR, THE IG ISSUED 203 AUDIT REPORTS, INTERNAL AND EXTERNAL. THESE REPORTS IDENTIFIED ECONOMY AND EFFICIENCY SAVINGS OF $121.2 MILLION AND RECOMMENDED RECOVERIES OR DEOBLIGATIONS OF $89.4 MILLION. DURING THE SAME PERIOD AGENCY MANAGEMENT MADE DETERMINATIONS ON RECOMMENDED RECOVERIES AND DEOBLIGATIONS AND SUSTAINED $47.8 MILLION. I AM PARTICULARLY PLEASED TO REPORT THAT DURING THE LAST SIX MONTHS OF THE FISCAL YEAR THE AGENCY

SUSTAINED 100 PERCENT OR $28.9 MILLION OF OUR RECOMMENDED RECOVERIES OR DEOBLIGATIONS. THAT RESULT REFLECTS HIGH QUALITY AUDIT WORK AND SERIOUS ATTENTION BY AGENCY MANAGEMENT OFFICERS TO OUR FINANCIALLY ORIENTED RECOMMENDATIONS.

IT IS IMPORTANT FOR ME TO POINT OUT, I BELIEVE, THAT THE RESULTS I HAVE JUST CITED FLOW FROM AN AUDIT PROGRAM THAT IS AUDITING ABOUT ONE-FOURTH OF THE AGENCY'S FOREIGN AID EXPENDITURES ON A FIVE YEAR CYCLE. PUT ANOTHER WAY, ABOUT THREE-FOURTHS OF OUR FOREIGN AID DISBURSEMENTS DO NOT NOW RECEIVE AUDIT COVERAGE AND THIS BASIC SITUATION WILL CONTINUE.

I AM PLEASED THAT I CAN CONTINUE TO REPORT TO THE SUBCOMMITTEE THAT THE LEVEL OF PROFESSIONALISM AND EXPERTISE OF THE INSPECTOR GENERAL'S STAFF REMAINS HIGH. ANNUAL AUDIT AND INVESTIGATIVE RESOURCE STRATEGIES CONTINUE TO BE UPDATED AND ANNUAL WORKLOAD ASSESSMENTS AND AUDIT PLANS CONTINUE TO DIRECT OUR RESOURCES INTO WHAT WE CONSIDER TO BE THE MOST VULNERABLE AREAS.

OVER THE PAST THREE YEARS IN OUR EFFORT TO MAKE THE MOST PRODUCTIVE USE OF OUR AUDIT RESOURCES WE HAVE SHIFTED OUR AUDIT EMPHASIS FROM INDIVIDUAL PROJECT AND FINANCIAL AUDITS IN ORDER TO GIVE GREATER ATTENTION TO AGENCY SYSTEMS AND PROGRAMS. THESE REVIEWS OF THE AGENCY'S MAJOR MANAGEMENT SYSTEMS ARE DESIGNED TO DETERMINE THE EFFECTIVENESS AND EFFICIENCIES OF THOSE SYSTEMS USED IN ADMINISTERING FOREIGN ASSISTANCE DOLLARS.

DURING THE PAST YEAR WE HAVE IDENTIFIED WHAT WE CONSIDER TO BE SERIOUS MANAGEMENT DEFICIENCIES IN SEVERAL AREAS. AN

AUDIT WAS MADE OF THE AGENCY's (BUREAU OF SCIENCE AND TECHNOLOGY) USE OF COST SHARING TECHNIQUES IN THE FINANCING OF FOREIGN AID PROGRAMS. COST SHARING OR MATCHING PROVISIONS IN GRANT AGREEMENTS ARE DESIRABLE BECAUSE THESE REQUIREMENTS GIVE A DEGREE OF ASSURANCE THAT THE GRANTEES THEMSELVES ARE COMMITTED TO THE PARTICULAR DEVELOPMENTAL INITIATIVE, AND THE FUTURE CONTINUATION OF THE PROJECT AFTER A.I.D.'S FUNDING SUPPORT CEASES. OUR REVIEW SHOWED THAT:

-- A.I.D HAD NOT ESTABLISHED FORMAL POLICY GUIDANCE REQUIRING ACTIVE SOLICITATION OF COST SHARING OR OUTLINED CONDITIONS AND CIRCUMSTANCES WHERE COST SHARING WOULD BE APPROPRIATE,

-- A.I.D. COULD SAVE UP TO $21 MILLION ANNUALLY BY MAKING INCREASED USE OF COST SHARING, AND

-- A.I.D. COULD NOT ASSURE THAT COST SHARING COMMITMENTS TOTALLING $91.4 MILLION WERE ACTUALLY MADE AS AGREED, IN PART BECAUSE GRANTEES WERE INADEQUATELY REPORTING, RECORDING AND DOCUMENTING COST SHARING CONTRIBUTIONS.

AN AUDIT WAS MADE OF A.I.D.'s EVALUATION SYSTEM TO DETERMINE WHAT WAS ACTUALLY BEING ACHIEVED FROM THESE EVALUATIONS. AN AVERAGE OF ABOUT 270 EVALUATIONS ARE MADE ANNUALLY AT A COST OF $10 MILLION. OUR AUDIT SHOWED THAT THE INTENDED PURPOSE OF EVALUATIONS WAS NOT ALWAYS ACHIEVED:

-- THE LOW QUALITY OF MANY EVALUATION REPORTS MADE IT DIFFICULT FOR AGENCY MANAGERS TO USE THE REPORTS IN THE DECISION MAKING PROCESS,

- -- EVALUATIONS FREQUENTLY DID NOT COMPARE PROJECT RESULTS TO THOSE ANTICIPATED.

- -- THE PURPOSE AND METHODOLOGY OF EVALUATIONS WAS NOT ALWAYS STATED OR CLEAR.

- -- CONCLUSIONS WERE NOT ADEQUATELY SUPPORTED OR DIFFICULT TO LOCATE.

- -- RECOMMENDATIONS WERE NOT SUPPORTED, NOT READILY IDENTIFIABLE, OFTEN INSIGNIFICANT, NOT ACTIONABLE OR REPETITIVE OF ACTION ALREADY UNDERWAY, AND

- -- LESSONS LEARNED IF PRESENTED PROVIDED LITTLE GUIDANCE TO A.I.D. OFFICIALS DESIGNING FUTURE OR FOLLOW-ON PROJECTS.

A SERIES OF AUDITS WAS MADE OF THE AGENCY'S EXCHANGE RATE PRACTICES--THE CONVERTING OF U.S. DOLLARS INTO EQUIVALENT AMOUNTS OF CURRENCIES OF HOST COUNTRIES. BECAUSE OF WIDESPREAD DIFFERING INTERPRETATIONS AND LACK OF SPECIFIC GUIDANCE WITHIN THE AGENCY ON EXCHANGE RATES WE FOUND VARYING PRACTICES USED BY A.I.D. MISSIONS IN CONVERTING DOLLARS TO LOCAL CURRENCIES. MOST SIGNIFICANTLY, WE FOUND THAT A.I.D. WAS LOSING MILLIONS OF DOLLARS BY NOT GETTING THE MAXIMUM EXCHANGE RATE FROM THE FOREIGN AID DOLLAR. FOR EXAMPLE:

- -- THE A.I.D. MISSION IN EL SALVADOR EXCHANGED U.S. DOLLARS AT A LOWER OFFICIAL RATE THAN A HIGHER PARALLEL COMMERCIAL RATE FROM SEPTEMBER 1982 TO SEPTEMBER 1985, RESULTING IN LOSS OF A $33 MILLION EQUIVALENT OF LOCAL CURRENCIES.

-- SIMILARLY IN ECUADOR $4.2 MILLION COULD HAVE BEEN SAVED UNDER FIVE LOAN PROJECTS HAD A HIGHER EXISTING LEGAL PARALLEL RATE BEEN USED IN LIEU OF A LOWER OFFICIAL RATE, AND

-- IN GUATEMALA $4 MILLION COULD HAVE BEEN SAVED BY USING A HIGHER PARALLEL RATE.

MOST BILATERAL AGREEMENTS WITH HOST COUNTRIES REQUIRE THAT DOLLARS BE EXCHANGED AT "THE HIGHEST LEGAL RATE NOT UNLAWFUL IN THE HOST COUNTRY AT THE TIME OF CONVERSION." HOWEVER, A.I.D. HANDBOOKS EITHER DID NOT SPECIFICALLY CONTAIN CLEAR POLICY TO IMPLEMENT THIS REQUIREMENT OR WHEN INCLUDED IN A HANDBOOK WERE NOT ENFORCED. IN JANUARY 1986 I RECOMMENDED THAT THE AGENCY MOVE PROMPTLY TO CORRECT THIS SITUATION.

OUR AUDIT REPORTS OVER THE LAST SEVERAL YEARS HAVE SHOWN A CONTINUING PATTERN OF NONCOMPLIANCE WITH HOST COUNTRY CONTRIBUTIONS, THAT IS, HOST GOVERNMENTS HAVE FAILED TO PROVIDE THEIR SHARE OF AGREED UPON FINANCIAL SUPPORT TO DEVELOPMENTAL PROJECTS. NONCOMPLIANCE IN THIS AREA OF AGENCY PROGRAM ADMINISTRATION IS WIDESPREAD, LONG STANDING AND WELL KNOWN TO AGENCY MANAGERS. THESE CONTRIBUTIONS REQUIRED BY SECTION 110 OF THE FOREIGN ASSISTANCE ACT ARE IN THE AGGREGATE SUBSTANTIAL YEAR AFTER YEAR AND VITAL TO THE SUCCESS OF MANY AGENCY PROJECTS AND PROGRAMS. THE CLEAR CONGRESSIONAL INTENT OF HAVING HOST GOVERNMENTS CONTRIBUTE TO DEVELOPMENTAL PROJECTS IS TWO-FOLD. FIRST, HAVING HOST GOVERNMENTS CONTRIBUTE A PORTION OF THE COST REAFFIRMS THEIR COMMITMENT TO THE NEED FOR THE PROJECT. SECOND, THEIR CONTRIBUTIONS REENFORCE A COMMITMENT THAT THE COUNTRY IS MORE LIKELY TO CONTINUE TO SUPPORT THE PARTICULAR PROJECT AFTER

A.I.D. FUNDING CEASES. HOWEVER, WE FOUND THAT MOST HOST GOVERNMENTS FAILED TO MAKE THEIR AGREED UPON CONTRIBUTIONS AND IN MANY CASES ARE NOT EVEN FINANCIALLY CAPABLE OF DOING SO. THE WIDESPREAD EXISTENCE OF THIS PROBLEM, AND THE FAILURE TO ADDRESS IT, CLEARLY JEOPARDIZES THE AGENCY'S OWN INVESTMENT OF ALREADY LIMITED FUNDS IN THE FOREIGN AID PROGRAM. HUNDREDS OF MILLIONS OF DOLLARS OF A.I.D. INVESTMENTS MAY BE LOST OR THEIR DEVELOPMENTAL IMPACT SERIOUSLY REDUCED DUE TO LACK OF HOST COUNTRY SUPPORT AND COMMITMENT.

RECOGNIZING THE NEED FOR INCREASED AUDIT OVERSIGHT OVER THE FOREIGN AID PROGRAM AND THE SEVERE CONSTRAINTS ON EXPANDING A.I.D.'S OWN AUDIT RESOURCES, I INITIATED A WORLDWIDE PROGRAM FOR USING NON-FEDERAL AUDITORS TO CONDUCT FINANCIAL AND COMPLIANCE AUDITS OF AGENCY PROJECTS, GRANTS AND CONTRACTS. MY ORIGINAL INTENT WAS TO RECEIVE A SPECIFIC ALLOCATION OF PROGRAM FUNDS EACH YEAR FROM THE AGENCY TO FINANCE THESE AUDITS. THIS CENTRAL ALLOCATION OF FUNDS TO FINANCE THESE AUDITS HAS NOT BEEN POSSIBLE. THE ONLY ALTERNATIVE WAS TO INCLUDE FUNDS FOR AUDITS IN THE ORIGINAL PROJECT DESIGN. THIS PROCESS REQUIRED IMPLEMENTATION OF THE NON-FEDERAL AUDIT PROGRAM OVER SEVERAL YEARS. I WOULD LIKE TO REPORT THAT THIS PROGRAM IS NOW OFF TO A GOOD START. CURRENTLY AN AVERAGE OF ABOUT 50 NON-FEDERAL AUDITS ARE IN PROCESS. THE MAJORITY OF THESE AUDITS ARE NOW FUNDED UNDER INDIVIDUAL DEVELOPMENTAL PROJECTS. FURTHER, MY OFFICE'S OVERSIGHT OF NON-FEDERAL AUDIT ACTIVITIES HAS REPORTED SIGNIFICANT IMPROVEMENT IN THE QUALITY OF AUDITS MADE BY MAJOR INTERNATIONAL AUDITING FIRMS. WITH CONTINUED SUPPORT BY AGENCY MANAGERS IN PROVIDING FUNDS FOR NON-FEDERAL AUDIT SERVICES, THIS PROGRAM

SHOULD GO A LONG WAY IN CLOSING THE GAP IN FINANCIAL AUDIT COVERAGE OVER FOREIGN AID EXPENDITURES.

THE INSPECTOR GENERAL HAS RESPONSIBILITY FOR CRIMINAL, CIVIL AND ADMINISTRATIVE INVESTIGATIONS WITHIN THE AGENCY. WE HAVE 24 U.S. AND SEVEN FOREIGN NATIONAL CRIMINAL INVESTIGATORS SERVING AT SIX OVERSEAS AND ONE DOMESTIC REGIONAL OFFICES FROM WHICH WE SUPPORT THE 70 A.I.D. MISSIONS AND OFFICES WORLDWIDE. WE HAVE EXPERIENCED SIGNIFICANT SUCCESS OVER THE PAST FISCAL YEAR IN WHAT IS ALWAYS A VERY DIFFICULT INVESTIGATIVE ENVIRONMENT.

IN THE LAST FISCAL YEAR INVESTIGATIONS HAVE RESULTED IN OVER $2.1 MILLION OF RECOVERIES, FINES, DEOBLIGATIONS OR SAVINGS; 13 CRIMINAL CONVICTIONS; 72 ADMINISTRATIVE ACTIONS (TERMINATION OF EMPLOYMENT, SUSPENSIONS AND REPRIMANDS).

ADDITIONALLY, IN THE PAST YEAR, AN AGGRESSIVE WORLDWIDE INTEGRITY AWARENESS PROGRAM REACHED OVER 1500 EMPLOYEES, CONTRACTORS AND OTHERS DOING BUSINESS WITH A.I.D. THESE EFFORTS HAVE BEEN SUPPLEMENTED WITH POSITIVE COVERAGE OF CONVICTIONS IN BOTH INTERNAL AND EXTERNAL NEWS MEDIA, AS WELL AS AN INTEGRITY PAMPHLET AIMED AT SITUATIONS SUPERVISORS ARE LIKELY TO ENCOUNTER.

DURING THE PAST YEAR SOME OF OUR MOST NOTEWORTHY CASES INVOLVED:

-- A SCHEME IN BOLIVIA WHERE A DOZEN AMERICAN COMPANIES PAID AN A.I.D. EMPLOYEE OVER $300,000 IN BRIBES TO RIG BIDS INVOLVING OVER $3 MILLION IN A.I.D. CONTRACTS.

TWO PEOPLE HAVE PLED GUILTY AND SIX OTHERS ARE AWAITING EXTRADITION, TRIAL OR OTHER JUDICIAL ACTION.

-- TWO NEW YORK BUSINESSMEN WHO WERE EACH SENTENCED TO 13 YEARS IN PRISON AND FINED $675,000 FOR FRAUD IN THE PURCHASE OF CHEMICALS IN ZIMBABWE FUNDED BY A.I.D.

-- A JOINT STING OPERATION WITH EGYPTIAN AUTHORITIES RESULTED IN THE RECOVERY OF MORE THAN HALF A MILLION DOLLARS WORTH OF ELECTRICAL SPLICING BOXES WHICH HAD BEEN STOLEN FROM AN A.I.D. HOUSING PROJECT. THE INVESTIGATION, USING ELECTRONIC SURVEILLANCE AND MARKED MONEY, RESULTED IN OVER A DOZEN ARRESTS.

-- THE DIRECTOR OF A NEW YORK FIRM WAS INDICTED FOR MANSLAUGHTER IN CONNECTION WITH MANUFACTURING TAINTED ANTIDIARRHEA MEDICATION THAT ALLEGEDLY CAUSED THE DEATH OF FOUR INFANTS IN PERU.

IN ADDITION, CASES INVOLVING EMPLOYEES HAVE RECENTLY RESULTED IN:

-- AN EXECUTIVE OFFICER SENTENCED FOR ILLEGAL DIVERSION OF EDUCATIONAL ALLOWANCES IN YEMEN;

-- A BUDGET AND FISCAL OFFICER CONVICTED FOR BLACKMARKETING CURRENCY IN SOMALIA;

-- A FINANCIAL MANAGEMENT OFFICER SUSPENDED AND A COMMODITY MANAGEMENT OFFICER TERMINATED FOR ACCEPTING GRATUITIES IN CONNECTION WITH A CONTRACT FOR TRUCKS IN EGYPT;

IN SUMMARY, OUR SMALL GROUP OF PROFESSIONAL INVESTIGATORS CONTINUES TO HAVE A POSITIVE IMPACT ON THE INTEGRITY OF THE AGENCY'S OPERATIONS.

THE FINAL AREA OF A.I.D. IG RESPONSIBILITY IS THAT OF SECURITY. THE SECURITY FUNCTIONS INCLUDE THE CONDUCT OF PERSONNEL BACKGROUND INVESTIGATIONS, THE PROTECTION OF NATIONAL SECURITY INFORMATION, MANAGEMENT OF A SECURITY RADIO PROGRAM, AND THE CONDUCT OF COMPLIANCE INSPECTIONS AND ENHANCEMENT RECOMMENDATIONS FOR PHYSICAL SECURITY AT A.I.D. OVERSEAS POSTS. WE ADMINISTER THESE PROGRAMS WITH A SMALL STAFF OF 23 HIGHLY QUALIFIED AND PROFESSIONAL SECURITY PERSONNEL.

THE BENEFITS AFFORDED THE AGENCY AS A RESULT OF THE SECURITY OFFICE EFFORTS ARE CONSIDERABLE. DURING FISCAL YEAR 1986, THIS SMALL OFFICE MANAGED THE CONDUCT AND COMPLETION OF OVER 1200 PERSONAL SECURITY INVESTIGATIONS OF A.I.D. EMPLOYEES AND APPLICANTS. THE FISCAL YEAR 1987 PROJECTION IS FOR COMPLETION OF 1250 INVESTIGATIONS. A NEWLY INITIATED COUNTERINTELLIGENCE EDUCATION PROGRAM IS EXPECTED TO SIGNIFICANTLY ENHANCE AWARENESS OF THE THREAT OF HOSTILE INTELLIGENCE AGENCIES TO A.I.D. EMPLOYEES OVERSEAS. THE A.I.D. SECURITY RADIO PROGRAM AFFORDS EVERY A.I.D. EMPLOYEE AND CONTRACTOR OVERSEAS ACCESS TO AN EMERGENCY COMMUNICATIONS SYSTEM. THE PHYSICAL SECURITY INSPECTION AND ASSISTANCE PROGRAM ENSURES A.I.D. MISSIONS AND POSTS ADHERE TO THE SECURITY STANDARDS ESTABLISHED BY THE STATE DEPARTMENT'S BUREAU OF DIPLOMATIC SECURITY.

THE BUDGET SUBMITTED TODAY CONTINUES THESE SECURITY EFFORTS

WITH THE CURRENT LEVEL OF STAFFING AND REPRESENTS AN ABSOLUTELY BARE BONES SECURITY REQUEST. THIS EXTREMELY SIGNIFICANT PROGRAM CONTINUES TO REAP GREAT REWARDS FOR THE MINIMUM FUNDING APPLIED.

THANK YOU MR. CHAIRMAN. THIS CONCLUDES MY PREPARED STATEMENT.

Senator INOUYE. I will make a little change in my sequence here, since if I start out with the questioning we may not have any left for the other Members of the committee.

Senator Mikulski, would you like to start off the questioning?

COMMENDATION OF THE INSPECTOR GENERAL

Senator MIKULSKI. Thank you, very much, Mr. Chairman. First, I would like to commend the Inspector General. I think the Inspector General from A.I.D. has to have one of the toughest jobs because everything you have to oversee is decentralized. You are not only decentralized worldwide, but you are working in different countries, different languages, different currencies, and always working with another country or another group—and then everything is on the basis of contract.

I am quite mindful of the difficulty of your job and would like to congratulate you on that, particularly on your rate of recovery. You are going after that.

Mr. BECKINGTON. That is the best record we have ever compiled in any 1 year and I am very pleased with it, as you might expect.

Senator MIKULSKI. We want to be sure that you have the resources that you need to do this job. You administer a very complicated program and I particularly like the fact that you focused on management practices, rather than viewing yourself as an outside auditor.

In these issues, particularly related to cost-sharing, exchange rate, currencies and so on, it sounds like it is not so much that people were thieves and crooks and whatever—though you went after them quite ably—but our own sloppiness in certain areas which has cost the United States of America a significant amount of money in terms of administering the A.I.D. program. If it had been done better we would have gotten a bigger bang for the buck.

I have identified things like cost sharing and exchange rates. Could you tell us what you would recommend in terms of follow-up, or what is actually going on in the Agency; what we need to do to strengthen your ability to both expect and bring about change?

A.I.D. FACES SEVERE MANAGERIAL CHALLENGES

Mr. BECKINGTON. Let me respond to the first part of that question, Senator. It is my personal view that the Agency needs more of what I would call administrative vigilance in the day-to-day conduct of what has to be one of the most difficult programs administered by any department or agency of the Federal Government.

The points you made at the outset about my job apply even more fully and completely to the agency's total performance of its mission. It is a very, very difficult one.

The Agency, in my judgment, is stretched very thin. Two years ago, I believe I reported to this committee and to the Congress in one of my semi-annual reports that in my judgment the Agency was stretched too thinly; we have too many projects and too many countries for us to administer as effectively and efficiently as we would like to.

That condition I think continues. You see the results of that condition, if I am correct, in weakened management performance in some of these systems involving the use of proper exchange rates, the application of the cost-sharing principle, the vigorous pursuit of that principle with PVOs, in cooperative agreements, international research organizations. You see it in the extreme difficulties that we encounter as an agency in adhering to the Foreign Assistance Act with respect to host country contributions.

So I think the Agency has a terribly difficult task and our ability to administer this program is, I think, adversely affected at times.

Senator MIKULSKI. What would your recommendation be, Mr. Inspector General? Should we pull out of some places in the world; would you suggest adding more for administrative costs, knowing the intentions of the American people—that they would rather feed the hungry than create bureaucrats?

Mr. BECKINGTON. My personal recommendation is, and it is reflected in my reporting, particularly over the last couple of years, I think that the Agency, as best I can determine is beginning to come to grips with this; we probably need fewer projects in a given country; less ambitious projects; less complex projects.

We have audited and reviewed enterprises in one country or another that would tax the administrative responsibility of our Government, let alone the Government of Ecuador or the Government of Indonesia—or name any of the 70 countries with which we are dealing.

I think more simplicity in individual projects, perhaps fewer projects because our project officers and our program officers in the field are stretched, as I said earlier, very, very thinly at the moment.

A.I.D.'S PURCHASES OF LOCAL CURRENCIES

Senator MIKULSKI. Would you recommend—I know the Chairman should move on—but in this exchange rate, I note that $33 million was lost in El Salvador, $4 million in Guatemala and $4 million in Ecuador. That comes out to over $41 million because we didn't know what the heck we were doing in terms of exchange rates.

$40 million is a bundle of money. We either search to meet global responsibility, or perhaps we go into deficit reduction. Would you recommend that we insist the Agency put in a person or a team just to do exchange rate——

Mr. BECKINGTON. No, I don't.

Senator MIKULSKI. Do you see what I am searching for?

Mr. BECKINGTON. Yes. It should not be necessary.

Senator MIKULSKI. This is shocking.

Mr. BECKINGTON. Yes, Ma'am. It shouldn't be necessary to deal with it in that fashion. The Agency has the wherewithal and I think should be quite able to correct that situation through normal administrative means and oversight.

I don't think anything special or unusual is required to deal with that.

Senator MIKULSKI. I would yield to the Chairman.

Senator INOUYE. Just on that point. Why did it take 3 years for this problem to surface?

Mr. BECKINGTON. I don't know, Mr. Chairman. Frankly, I think that I missed it, my organization missed it over a period of time and we first picked it up in the spring and early summer of 1985 in some audit work we were doing in Santo Domingo. Once we picked it up and focused on it, we immediately began to look for it elsewhere and we began to find it in country after country.

Within a matter of 5 or 6 months we identified the ones that I mentioned in my witness statement, and then we had identified some others.

If I may return a moment to Senator Mikulski's question; one reason I don't believe that any unusual steps are necessary to deal with a problem of this nature is that in our case, the Latin American Bureau acted very quickly, once these reports surfaced and were made available to the Bureau in the December-January, 1985–86 time frame, a little over a year ago.

They issued guidance which I believe is working very well that simply said, in so many words, that we would receive the highest rate of exchange, legal, in the country—or not illegal in the country—awarded to any group of people—tourists, businessmen, whatever. In that bureau and the countries of that bureau that policy is working well.

There is a provision for the occasional exemption that inevitably may be necessary in a given case. I noticed the other day in cable traffic the first such request for an exemption in the case of Peru; an exchange rate issue in Peru, and the Mission in Peru has come forward in accordance with the policy, made its case to the Bureau Assistant Administrator and I presume a decision will be made in the near term.

The Agency can do the same thing.

Senator INOUYE. If A.I.D. has these problems, I suppose all other agencies must have similar problems, those agencies that deal in foreign currency.

Maybe we should make a study and see how much we are losing throughout the world. I bet it would go in excess of $1 billion.

Senator MIKULSKI. Mr. Chairman, that is what I fear and your expansion, beyond A.I.D., is one that I would certainly support. My concern is a leak that could be a hemorrhage.

Senator INOUYE. Thank you. Senator Nickles.

FRAUD IN FOREIGN AID PROCUREMENT

Senator NICKLES. Thank you, Mr. Chairman. I am glad you are starting to get a handle on this problem. I have a feeling it has probably been happening for years and years in a variety of agencies. I compliment you on that and encourage you to pursue it further, and then perhaps the committee could pursue it further, as well.

Looking at your report—and I also want to compliment you for your aggressiveness in trying to go after some of the fraud and abuse, and particularly some of the convictions.

I have read in your statement a couple of the more glaring and noteworthy cases—the Bolivian case and the Zimbabwe case. In the Bolivian case, was that an American that was sentenced?

Mr. BECKINGTON. No, that was a Bolivian national. A foreign national employee of the A.I.D. mission there, Senator, who was principal procurement officer for the Mission, essentially, with a very thin, somewhat remote level of American direct-hire supervision. It is not an unusual condition in many A.I.D. missions.

Senator NICKLES. I am guessing from the size of his bribes, he was running some pretty good-sized contracts.

Mr. BECKINGTON. Yes, he was. Actually, in that case as it developed and as it was presented before the Grand Jury, it dealt with some $3 million worth of procurement that we could specifically identify, where he had arranged essentially for kick-backs. As a rule it was a 10-percent kick-back, or some variation from that. But he was making a pretty good living for a couple of years.

Senator NICKLES. Has he been sentenced?

Mr. BECKINGTON. Yes, he has and he has served his sentence already, Senator. He was sentenced to 2 years in prison, 18 months of which was remitted. He served 6 months and if my memory is correct, he was let out of jail in Miami in December of last year, 1986.

Senator NICKLES. He served his time not in Bolivia, but in the United States?

Mr. BECKINGTON. Here, in the United States. He was arrested in the United States and tried in the United States.

Senator NICKLES. In a Federal court?

Mr. BECKINGTON. Yes, sir.

Senator NICKLES. Federal courts are a lot more lenient, Mr. Chairman, than the ones in our State. We had some public officials that were found guilty, some county commissioners for amounts far less than this and they received significantly greater prison terms.

Is that individual an employee of A.I.D.?

Mr. BECKINGTON. Not any more, no, sir.

Senator NICKLES. He has been permanently barred?

Mr. BECKINGTON. Permanently dismissed.

AUDIT RESULTS

Senator NICKLES. You mentioned in your statement that you recommended recoveries or deobligations at $89 million, and I guess the Agency sustained $47.8 million.

Mr. BECKINGTON. That is a continuing process, Senator. That $47 million figure is as of a certain date, which would be October 31 of last year. More of that total of $89 million has now been sustained.

Senator NICKLES. You are still working on the balance of that?

Mr. BECKINGTON. Yes, the Agency is. I have to commend the Agency in this regard, Senator, because they have been very responsive. The management offices of the Agency have been growingly responsive to our recommendations, particularly our financially-oriented recommendations.

The 100 percent figure there for one period is most unusual and I think it must almost be an aberration. I don't ever expect us to do that well, again, frankly.

COST SHARING REQUIREMENTS IN THE FOREIGN AID PROGRAM

Senator NICKLES. On the cost-sharing requirements, are those statutory?

Mr. BECKINGTON. They are for PVOs, Senator, yes, sir.

Senator NICKLES. What do you mean?

Mr. BECKINGTON. Private and voluntary organizations, such as CARE and Catholic Relief Services, and a whole host of them. They are a great many PVOs of all sizes, shapes and forms and they are a very valuable partner with A.I.D. in all kinds of aspects of the foreign aid program.

Senator NICKLES. You are not having any problem with those organizations as far as cost-sharing, are you?

Mr. BECKINGTON. Yes, we are to some extent, although there is a legal requirement. They are at 20 percent, and again I think a congressional requirement—with a push from this committee, as I recall the history of that provision.

But we are finding some problems there—not in the original agreements. You will find that the law is carefully observed in the original agreement. Neither the PVO nor the Agency departs in any way from the statute there. Where we find the problem beginning to develop is in the PVO actually providing and making available and committing the 20 percent or whatever amount—at least the 20 percent.

The objective, as I understand it, is to prevent a PVO from becoming a creature of the Government, a creature of A.I.D. It is much easier simply to come and request appropriations from the Congress I am sure, than it is to raise some portion of the funding from other sources, private sources, and so on.

So we find problems of that nature with PVOs. We find problems of a somewhat different nature with international research organizations, cooperative agreements. There we have been more critical of the Agency's lack of a firm, aggressive policy to seek cost-sharing—reasonable cost-sharing.

Senator NICKLES. Are many of those directly with other governments? The Governments of Peru or Bolivia?

Mr. BECKINGTON. No, sir, they are not with other governments. Jim, how would you characterize them?

Mr. DURNIL. They are all non-profit organizations; a lot of U.S. universities are involved in the foreign aid research.

Senator INOUYE. Is that in the Bureau of Science and Technology?

Mr. BECKINGTON. Yes, sir.

Senator NICKLES. I think the cost-sharing requirement is very legitimate and, again, I would encourage you to work aggressively in having those cost-sharing agreements upheld.

Thank you, very much.

Mr. BECKINGTON. Thank you.

LOSSES DUE TO FAILURE OF COST-SHARING AGREEMENTS

Senator INOUYE. If I may follow up on Senator Nickles last question, how much has this failure of living up to cost-sharing agreements cost the A.I.D. in terms of unpaid contributions? Do you have any idea?

Mr. BECKINGTON. I cite some figures in my witness statement, as I recall, which are from the sample that we took, Mr. Chairman. Losses or lack of savings that we felt we could identify with some specificity.

This is a fairly big business, too. We are talking about roughly $1 billion on an annual basis. On page 4 of my witness statement, Mr. Chairman, we cite the figure of $21 million that we thought A.I.D. could have saved over the period of this particular audit, had we made proper and full and increased use of cost-sharing.

Senator INOUYE. That is for all programs?

Mr. BECKINGTON. Yes, sir.

Senator INOUYE. I would have thought it would be much more than that.

Mr. BECKINGTON. It probably is much more. This figure does not purport to be a total. It represents what we identified in the sample of the cases that we selected for audit on this subject. That sample was, what, Jim, 18 percent of the total, or was it a bit larger than that?

Mr. DURNIL. It was about 80 percent. We looked at the top 35 largest-funded cost-sharing agreements.

INADEQUATE INSPECTOR GENERAL STAFFING

Senator INOUYE. I notice you have been able to carry out your extraordinary work with just 25 staff people.

Mr. BECKINGTON. On the criminal investigative side, yes, sir.

Senator INOUYE. How many do you have in the audit section?

Mr. BECKINGTON. We have about 90 professionals auditors—accountants and auditors.

Senator INOUYE. Is that sufficient?

Mr. BECKINGTON. It is all I am allowed to ask for, Mr. Chairman.

Senator INOUYE. You are looking at over $1 billion worth of spending.

Mr. BECKINGTON. As you know, sir, I have what I have now largely because of this committee, the initiative of this committee. There is a staffing floor placed under the Inspector General of A.I.D.

Senator INOUYE. Is it true that we had a bigger budget for you 6 years ago?

Mr. BECKINGTON. Yes, I am sure we did. We had a larger staff, let me put it that way, sir. The IG portion of the A.I.D. appropriation was probably a bit larger than is true today. But we were cut in early 1981 and we essentially have remained at that level since, with the exception of a small increase that the Congress insisted upon in connection with the increased Central American program of about 3 years ago.

Senator INOUYE. Would you say from the savings that you have brought about from the better management programs that have resulted from your recommendations, that you have more than paid for the amount that we have appropriated?

Mr. BECKINGTON. Yes, sir. I think we have.

Senator INOUYE. So pound for pound, we are getting a bargain.

Mr. BECKINGTON. I like to think so, yes, sir.

Senator INOUYE. I agree with you, and I don't know why we find ourselves cutting it. I am going to ask the subcommittee to look into your shop a bit more closely with the idea of giving you more teeth. We can't go after the criminal aspects of this work with just 25 people, and with 25, if you can save all that money as you have indicated in your report, I can imagine what you could do with ten more.

I am with you, General.

Senator Mikulski, I gather you have a question.

PROBLEMS WITH THE A.I.D. EVALUATION PROGRAM

Senator MIKULSKI. Just one last point, which, again, goes to a management criticism. You talk about A.I.D.'s evaluation system and that they have conducted 270 evaluations at a cost of $10 million, but then you comment on the low quality of them and that they do not provide guidance for future programmatic activity. That is the point of an evaluation, to make sure the project is working and then get insight into terms of what you can do.

Do you have suggestions on what we should do? In my conversation at a hearing with the Director of A.I.D., I went back to a report that was done by Booz-Allen and Hamilton, and it talked about their performance, their bidding, their evaluation.

I am trying to get a dollar's worth of services for a dollar's worth of taxes out of them. What would you recommend here?

Mr. Beckington. I think, Senator, the majority of these evaluations—I believe I am correct when I say the majority—are done by outside contractors. The Agency participates in these evaluations, occasionally carries some out on its own, but for a number of reasons, including probably staff shortages, tends to contract out to think-tanks, management organizations of one kind or another, groups that are actively involved in one aspect or another of the foreign aid program, foreign affairs.

What we found was that a fairly high number of them, the quality of the evaluation, both the planning for the evaluation, the scoping of the evaluation, the execution of the evaluation was less than to be desired, with a result that a portion of all of our evaluation will probably end up on a shelf somewhere and are not very helpful to anyone—either people currently involved in the program or project, or in an historical sense, for people who are involved in similar type programs in the future, elsewhere, where they can go back, learn lessons and the pitfalls of previous experiences and profit and benefit by them.

So I guess, in basic answer to your question, I would say, once again, that the best way to deal with this problem is to ensure that the Agency exercises greater care and greater thought and greater foresight in the selection of the evaluator; that they put together the scope of work with great care, and that they provide some degree of monitoring and assessment of the work while it is in progress and once it is completed.

Senator Mikulski. It sounds like you need an evaluator of the evaluators.

Mr. Beckington. Yes, to some extent. Again, what I think I am talking about is administrative alertness, and administrative vigilance in the day-to-day conduct of the Agency's business.

IMPROVEMENTS IN EVALUATION SYSTEM

Senator Mikulski. What is A.I.D.'s top management response to the evaluation system? Have they talked about making improvements?

Mr. Beckington. May I turn to Mr. Durnil?

Mr. Durnil. Yes, they agreed with us. They try to naturally justify all expenditures for evaluations, but they have agreed to require specific recommendations in the evaluation reports—conclusions drawn; even getting the report out sometimes on evaluations was a very difficult task.

They are issuing a new handbook on the policy by the Program and Policy Coordination Office to correct and satisfy our recommendations. We are very pleased about that.

Senator Inouye. Mr. Inspector General, as you know, 4 years ago I requested a GAO study on this matter, evaluation, and at that time, I think GAO came out with a rather scathing report on the condition in A.I.D. at that time. For example, it found that in many cases, GAO just did not know what they contracted for and sometimes they found that—they were surprised to learn that they had contracted for certain items, and their records didn't show that, and at times they got items that they did not request.

So, it is a problem, an old problem. What do you think we can do about this? How can I give you more teeth? We had an evaluation of the evaluators 4 years ago.

Mr. BECKINGTON. Yes.

Senator INOUYE. And the report was not a sweet one. Now you have come forth with your evaluation, after 4 years, and it shows that A.I.D. has done little, if anything, to correct the situation we uncovered 4 years ago.

Mr. BECKINGTON. You know, I think Mr. Chairman, that this type of a question really needs to be addressed to the Agency. As you point out, GAO looking at this same process, was critical 4 years ago.

We looked at it last year, and we again are critical of certain aspects of it. I think that the Agency is finding it very difficult to be responsive to the GAO findings and to my findings.

Now, in answer to Senator Mikulski's question, Mr. Durnil replied that the Agency has accepted much of these criticisms, has told us that they are taking action to correct it, and will write a new handbook, or modify the existing handbook. All of this is done I think forthrightly and in good faith.

Where the Agency has difficulty in this and similar items is in the follow-through—the day-to-day follow through, week by week, month by month. It is a very hard-pressed Agency, I think, Mr. Chairman, with a lot to do under very difficult conditions.

It is hard for me to imagine management challenges more difficult than those that face some of our field missions and our bureaus in Washington operating where they do, how they do, under the constraints they do. Nevertheless, we are the professionals; it is our business and we ought to be able to do better in some of these areas than we do now in my judgment.

INADEQUATE AUDIT COVERAGE

Senator INOUYE. In reading your prepared statement, I was surprised to learn that three-fourths of the Agency's disbursements are not audited.

Mr. BECKINGTON. By me; yes, sir, that is true.

Senator INOUYE. And you also indicated that this condition will continue.

Mr. BECKINGTON. Yes, sir.

Senator INOUYE. Is that healthy?

Mr. BECKINGTON. I am not comfortable with it; no, Mr. Chairman. I would like to see a somewhat greater audit effort, maintained regularly over time. I describe it as an austere level of audit and investigative oversight in my statement.

Senator INOUYE. Do you believe that if you were able to expand your coverage, from one-quarter to one-half, it would result in savings that would be much more than the cost of the staff?

Mr. BECKINGTON. I think probably yes; yes, at least.

Senator INOUYE. And it would have a salutary effect on the rest of those who are not audited?

Mr. BECKINGTON. In theory, it certainly should. I think that the audit function is basically taken seriously by the Agency. I think the quality of our work has improved substantially in the last 2 or 3 years, which I think has contributed to the fact that Agency management is paying more attention to the audit reporting.

Mr. DURNIL. Plus we are getting a lot more requests for audit.

Mr. BECKINGTON. We are getting more requests for audit. I think that it is a service that the Agency is responding to, so I think that if there were more of it, if we had a little more coverage than we have now, that the results would be salutary from the standpoint of your concerns, mine and those of the Agency.

Senator INOUYE. I realize that you are under orders, shall I say, to stay within a certain amount and I can understand that. As a subordinate, I would expect you to abide by the wishes of your superior, but I will request two staff persons here, Mr. Collins and Mr. Bond, to enter into discussions with your office with the idea of improving and upgrading your audit operations, and your criminal operations, and let it be said that you have tried to stay within the amount suggested by OMB, but we think that it should be given more muscle, more teeth.

So with that in mind, I am asking Mr. Bond and Mr. Collins at the earliest to get in touch with you.

Mr. BECKINGTON. Yes, sir.

PROBLEMS IN THE ECUADOR AID PROGRAM

Senator INOUYE. Now, on this Ecuadorean situation that we have now on payments to officials and employees of that Government, topping off, as we say—what is the current situation of your investigation?

Mr. BECKINGTON. It is still underway, Mr. Chairman. I have had an audit investigative team in Quito since mid-January, essentially, with very brief pauses. They are still there. Mr. Durnil tells me that he would anticipate their field work to end in early to mid-April, and we will then be submitting a report both to the Bureau and to the Administrator.

I have alerted the Administrator to this situation about a month ago, now, as I recall, because I thought it was potentially serious enough that I felt he should know about it and what we were beginning to find.

Senator INOUYE. Do you consider this a serious breach to A.I.D.'s management, control and accountability?

Mr. BECKINGTON. At the present time, I do, indeed; yes, sir.

Senator INOUYE. Have we had comparable types of schemes in operation in other parts of the world? Is it widespread?

Mr. BECKINGTON. Not that I am aware of; no, sir. It may have happened somewhere else at some point in time, but not that I am aware of in recent years.

Senator INOUYE. If we had a more expanded auditing operation in place, do you think this would have surfaced much sooner?

Mr. BECKINGTON. It is hard to say, Mr. Chairman. In all honesty, it probably would have. But I am really speculating when I say that because I now believe that there were a number of people who were aware of the alleged scheme, or schemes, who under the law and under Agency regulation should have come forward to the Inspector General.

Senator INOUYE. When did A.I.D. management bring this matter to your attention?

Mr. BECKINGTON. Early December of 1986.

Senator INOUYE. I have been advised that A.I.D. became familiar with this problem in October.

Mr. BECKINGTON. Yes, I believe they did.

Senator INOUYE. Why the delay?

Mr. BECKINGTON. I don't know, sir. I do not know.

Senator INOUYE. They did not give you an explanation?

Mr. BECKINGTON. Not as yet, they have not; no, sir. Perhaps eventually they will, when my full report is completed and presented.

Senator INOUYE. May we submit a request to the A.I.D. Administrator to find out why the delay? I am just curious.

Mr. BECKINGTON. Yes, sir.

Senator INOUYE. I would think that when something like this surfaced, I wouldn't wait 3 days.

Mr. BECKINGTON. I would think so, too, Senator.

Senator INOUYE. Well, all I can say is that with your little shop, you have done a terrific job. For that, we are all very grateful. We want you to do a better job.

With that in mind, I believe the committee will go along with me in increasing your allocation. Congratulations.

Mr. BECKINGTON. Thank you, Senator.

BUREAU FOR PRIVATE ENTERPRISE

STATEMENT OF NEAL PEDEN, ASSISTANT ADMINISTRATOR, BUREAU FOR PRIVATE ENTERPRISE, AGENCY FOR INTERNATIONAL DEVELOPMENT

THIRD WORLD PRIVATE SECTOR

Senator Inouye. Our next witness is the Assistant Administrator of the Bureau for Private Enterprise, Mrs. Neal Peden. Welcome.

Ms. PEDEN. Thank you.

Senator INOUYE. We have received your statement and as I have indicated, it will be made a part of the full record and you may proceed any way you wish.

Ms. PEDEN. I have a few opening remarks. I haven't really had the opportunity to testify before the committee and tell you about the Bureau, and I am very pleased to have this opportunity, Mr. Chairman.

The Bureau for Private Enterprise leads an Agency-wide initiative to mobilize a force for development in the Third World that has rarely been tapped before, and that is the Third World's private sector.

This private sector has proven itself as a generator of jobs and income and rising living standards. The record shows that LDCs using market forces grow faster than those with economies which are controlled from a central authority and sometimes that growth has been on a ratio of two-to-one.

This point has not been lost on Third World leaders. As I have traveled abroad, I find that the interest in the private sector is really at the top of the agenda, because after years of emphasizing development through government ministries, private enterprise has finally come into the mainstream. This is true among the donors and the recipients, as well.

All of this represents, I think, a dramatic change since A.I.D. began to reshape the U.S. aid program about 5 years ago. One measure of accomplishment is in Agency expenditures. A survey of DA and ESF spending in fiscal year 1985 showed that nearly 49 percent went for private sector development in one form or another, and we expect this trend to continue.

Another measure is programs in the field where, of course, the bulk of the Agency's resources really are. One example is in privatization and that is fast becoming a "buzz word" in development circles. That, as you know, is the process whereby LDC economies are opened to market forces and better performance. We expect A.I.D. missions, which are working with their host governments, to be involved in approximately 115 privatization activities by the end of fiscal year 1987.

Another measure is personnel. A private sector staff has been set up in each of the A.I.D.'s regional bureaus, and private sector officers serve throughout the A.I.D. mission network worldwide.

ROLE OF THE BUREAU FOR PRIVATE ENTERPRISE

What is the role of the Bureau for Private Enterprise in these changes? We like to think that we have been a catalyst, and we have two main roles to play. First, we are a laboratory. We develop private sector lending techniques and project ideas.

Besides creating their own development impact, these projects can be used in the field as models. For example, projects developed through our revolving fund, which is the investment arm of the A.I.D. initiative, have been replicated or used as prototypes in Guatemala, Ecuador, Kenya, Morocco, Thailand, and the Philippines.

REVOLVING FUND PROJECTS

The revolving fund projects work through private institutions in the developing countries: banks, development institutions, venture capital firms. These are relatively new partners for A.I.D.

The revolving fund is a window on U.S. technology. Thirty-five percent of all of our loans involve export of U.S. technology in areas such as health and agribusiness and more than 50 percent of our loans link U.S. financial services or banks in this country to the indigenous borrowers in the LDCs.

The revolving fund projects have a multiplier effect. They attract other investors, stretching the A.I.D. dollar. Our $54 million in loans that are completed or nearing completion will actually leverage a total of about $130 million.

We have moved from subsidies to market-rate loans in order to promote self-sufficiency.

Second, we act as an educator in the Agency. This role is backed by technical services that we are able to render the missions in their priority areas; one of those, of course, is privatization, that I mentioned a minute ago.

This Bureau has funded the Center for Privatization, which has provided services in more than 20 countries. It has helped complete privatizations in Belize and Honduras.

Another example is financial markets, where experts have worked with missions in about 14 countries to build mechanisms for mobilizing private capital. The Bureau continues to provide guidance to missions in developing countries on ways to remove impediments that adversely affect the growth of sound financial markets.

Private enterprise must operate and make investment decisions based on financial considerations under free market conditions.

A third area helps our missions and our bureaus generally to integrate the private sector initiative into their own programming. We have also conducted the Agency's first series of courses in private enterprise skills training. Some 108 A.I.D. officers have been trained so far. This summer we are going to have two more sessions.

In conclusion, Mr. Chairman, we believe that the Bureau has a strong leadership role in helping to spread the private enterprise initiative throughout the Agency, and the impact of what we do is beginning to show in the developing countries themselves.

I look forward to your questions.

[The prepared statement of Neal Peden follows:]

PREPARED STATEMENT OF NEAL PEDEN

ASSISTANT ADMINISTRATOR

BUREAU FOR PRIVATE ENTERPRISE

AGENCY FOR INTERNATIONAL DEVELOPMENT

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I WELCOME THIS OPPORTUNITY TO REPORT TO YOU ON THE ACTIVITIES OF THE BUREAU FOR PRIVATE ENTERPRISE OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT.

THE BUREAU FOR PRIVATE ENTERPRISE WAS CREATED BY ADMINISTRATOR MCPHERSON IN JULY 1981 TO PROPEL A.I.D.'S AGENCY-WIDE PRIVATE SECTOR INITIATIVE. THIS INITIATIVE MOBILIZES THIRD WORLD PRIVATE ENTERPRISE AS AN ENGINE FOR SELF-SUSTAINING GROWTH. THE INITIATIVE REINFORCES A.I.D.'S BASIC HUMAN NEEDS MANDATE BY CREATING THE OPPORTUNITIES FOR GENERATION OF JOBS AND PURCHASING POWER SO THE INDIGENOUS POOR MAJORITY CAN MEET THEIR OWN NEEDS THROUGH THEIR OWN EFFORTS, AND BY PROVIDING EFFICIENT, COST-EFFECTIVE DELIVERY MECHANISMS FOR HEALTH, MEDICAL, AGRICULTURAL AND OTHER SERVICES.

RATIONALE FOR THE INITIATIVE

AN EMPHASIS ON PRIVATE SECTOR ACTION HAS BEEN AN UNDERLYING THEME OF REAGAN ADMINISTRATION PROGRAMS, BOTH DOMESTIC AND INTERNATIONAL. THE RATIONALE FOR THIS APPROACH WAS SUMMARIZED BY THE PRESIDENT EARLY IN THE ADMINISTRATION WHEN HE STATED THAT "WE WHO LIVE IN FREE MARKET SOCIETIES BELIEVE THAT GROWTH, PROSPERITY, AND HUMAN FULFILLMENT ARE CREATED FROM THE BOTTOM UP - NOT THE GOVERNMENT DOWN."

In foreign assistance, this philosophy is carried out by mobilizing indigenous private enterprise in order to achieve development objectives which have been addressed in the past largely by public sector institutions. Such an initiative draws heavily on the experiences not only of our own and other industrialized, market-oriented countries, but on those of many developing countries. The record shows clearly that Third World countries using open and competitive markets have grown faster than those relying on central governments to direct and manage their economies. Moreover, studies indicate that foreign aid from donor countries has much greater impact on growth rates when accompanied by efforts of host countries to open up their economies to greater private sector participation.

The private sector initiative focuses especially on job creation by small and medium-sized, labor-intensive private enterprises. They often operate among the poor, absorbing local labor. Yet their access to correctly priced and supervised credit is very limited. The Agency opens up these channels in two ways: First, by backing up mission policy dialogue aimed at clearing official roadblocks to such access; and, second, by working with local private financial institutions to reach out to small business clients, thus developing for these institutions a new credit market which will be served after A.I.D. has left the scene.

INITIATIVE IS AGENCY-WIDE

The commitment to energizing the private sector of Third World countries extends throughout A.I.D.'s organization, including all bureaus and field missions.

This is reflected in the level of expenditures on private sector development. A survey of Agency spending for FY

85, FOR EXAMPLE, SHOWED THAT 48.6 PERCENT OF A.I.D. FUNDS, BOTH DA AND ESF, WENT FOR SUCH DEVELOPMENT. THIS INCLUDED DIRECT AND INDIRECT ASSISTANCE TO THE PRIVATE SECTOR; ASSISTANCE TO PRIVATE VOLUNTARY ORGANIZATIONS AND NON-PROFIT ORGANIZATIONS; AND ASSISTANCE USED TO INFLUENCE CHANGE IN HOST COUNTRY POLICIES FOR THE BENEFIT OF THE PRIVATE SECTOR. IN ADDITION, THAT PORTION OF A.I.D. FUNDS ALLOCATED FOR PUBLIC SECTOR SUPPORT INCLUDED A SUBSTANTIAL AMOUNT FOR ACTIVITIES BENEFICIAL TO PRIVATE ENTERPRISE, SUCH AS ROAD-BUILDING, PORT DEVELOPMENT, TRAINING AND DEVELOPMENT OF ENERGY SUPPLIES.

ROLE OF THE BUREAU FOR PRIVATE ENTERPRISE

THE BUREAU FOR PRIVATE ENTERPRISE PLAYS TWO MAIN ROLES WHICH SERVE TO SPREAD AND INSTITUTIONALIZE PRIVATE ENTERPRISE METHODS IN A.I.D.

AS EXPERIMENTER, WE DEVELOP LENDING TECHNIQUES AND PROJECT IDEAS HARNESSING MARKET FORCES, WHICH CAN SERVE AS MODELS FOR FIELD MISSIONS.

THE OFFICE OF INVESTMENT DEVELOPS FINANCING MECHANISMS THAT ATTRACT PRIVATE FUNDS, THUS LEVERAGING SCARCE A.I.D. RESOURCES TO ACHIEVE TARGETED DEVELOPMENT IMPACT, AND ALSO DEMONSTRATING TO OVERSEAS MISSIONS THE VALIDITY OF THIS APPROACH. OTHER MECHANISMS RELATED TO PRIVATIZATION OF STATE-OWNED ENTERPRISES, FINANCIAL MARKET DEVELOPMENT AND STRATEGIC APPROACHES TO VARIOUS PRIVATE SECTOR INTERVENTIONS ARE DEVELOPED BY THE OFFICE OF PROJECT DEVELOPMENT.

BOTH OFFICES PERFORM THE SECOND ROLE OF THE BUREAU, THAT OF AN EDUCATOR TO THE AGENCY TO IMBUE IT WITH A PRIVATE ENTERPRISE PERSPECTIVE. THEY WORK COLLABORATIVELY WITH REGIONAL BUREAUS AND THEIR RESPECTIVE OVERSEAS MISSIONS TO

DESIGN AND CARRY OUT NEW PROGRAMS AND PROJECTS USING MARKET FORCES. IN ADDITION, THE PROJECT DEVELOPMENT OFFICE, WORKING WITH A.I.D.'S TRAINING DIVISION, CONDUCTS A TRAINING COURSE ON "THE ROLE OF PRIVATE SECTOR IN DEVELOPMENT." WE HAVE TRAINED 100 A.I.D. OFFICERS THUS FAR WITH A VIEW TO CHANGING FIELD OFFICERS' APPROACH TO SOLVING DEVELOPMENT PROBLEMS. WE INTEND TO OFFER SIMILAR TRAINING TO DEVELOPING COUNTRY NATIONALS.

THE BUREAU CURRENTLY RELIES ON A DIRECT-HIRE STAFF OF 45 PERSONS, A NUMBER OF THEM DRAWN FROM THE PRIVATE SECTOR, AND AN ANNUAL BUDGET OF JUST OVER $32 MILLION (FY 88 REQUEST).

INVESTMENT PROGRAM

THE BUREAU'S INVESTMENT PROGRAM HAS GROWN CONSIDERABLY IN SIZE OF PORTFOLIO AND SOPHISTICATION OF TECHNIQUES SINCE 1981. OUR LOANS DEMONSTRATE CLEARLY THAT INVESTMENTS WHICH ARE MARKET-ORIENTED AND DISCIPLINED BY FOR-PROFIT DECISION MAKING RESULT IN JOB CREATION, FOREIGN EXCHANGE GENERATION AND TECHNOLOGY TRANSFER.

WE HAVE MADE 35 LOANS AT $63 MILLION. SOME $47.3 MILLION OF THIS IS FINANCED FROM THE PRIVATE SECTOR REVOLVING FUND, A SELF-REPLENISHING LOAN POOL ESTABLISHED BY CONGRESS IN 1983. WE EXPECT OUR TOTAL LOAN PORTFOLIO TO REACH $75 MILLION BY THE END OF FY 87. WE ARE REQUESTING $12 MILLION FOR THE REVOLVING FUND FOR FY 88.

ALL OF OUR LOANS TARGET THE SMALLER-SCALE BUSINESS SECTOR, MAINLY IN RURAL AREAS. THIS SECTOR PRODUCES JOBS AT LOWER COST. OUR LOANS ALSO LEVERAGE A.I.D. RESOURCES BY ATTRACTING PRIVATE FUNDS TO PROJECTS, AND NEARLY HALF OF THEM INVOLVE SOME TYPE OF CO-FINANCING. WE HAVE DESIGNED PROJECTS TO HELP VILLAGE BUSINESSES AND RURAL BANK CUSTOMERS IN

INDONESIA; CASH-CROP SMALL FARMERS IN KENYA; ARTISANS IN NORTHERN THAILAND; MICRO-ENTERPRISES IN THE CARIBBEAN, AND LIGHT MANUFACTURERS IN MOROCCO.

IN EXCESS OF 70 PERCENT OF THE REVOLVING FUND PROJECTS HAVE SOME COMPONENT OF UNITED STATES PARTICIPATION. THIS PARTICIPATION TAKES MANY VARIED FORMS INCLUDING: THE PROVISION OF FINANCIAL SERVICES (OVER 50 PERCENT); TECHNOLOGY TRANSFER; EXPORT OF U.S. PRODUCTS; AND JOINT FINANCING ARRANGEMENTS.

THROUGH ITS INVESTMENTS, THE BUREAU PLAYS A STRONG INSTITUTIONAL ROLE AS AN R & D LABORATORY FOR THE AGENCY. BY CREATING A PORTFOLIO OF DIFFERENT INVESTMENTS, WE CAN DEMONSTRATE A VARIETY OF SUCCESSFUL MARKET INSTRUMENTS TO ADVANCE DEVELOPMENT.

OUR START-UP PERIOD FEATURED STANDARD LOANS TO INSTITUTIONS SUCH AS SIAM COMMERCIAL BANK AND KENYA COMMERCIAL BANK ON MARKET TERMS AND CONDITIONS. SINCE ESTABLISHMENT OF THE REVOLVING FUND, WE HAVE EMPHASIZED LOAN GUARANTIES WHICH, BY AVOIDING THE FOREIGN EXCHANGE RISK OF BORROWING DOLLARS OVER TIME, INDUCE LDC INSTITUTIONS TO LEND IN HIGHER-RISK AND DEVELOPMENT-ORIENTED MARKETS SUCH AS THE SMALL BUSINESS SECTOR.

OVER THE YEARS, WE HAVE LEARNED SEVERAL LESSONS. ONE IS TO EXPECT CHANGING CONDITIONS, THAT IS, CHANGES IN THE BUSINESS ENVIRONMENT THAT MAY RESULT IN AN ALTERNATIVE TO THE A.I.D. LOAN. WE ALSO HAVE LEARNED TO TAKE INTO ACCOUNT CONSERVATIVE RISK BEHAVIOR ON THE PART OF THE LDC PRIVATE SECTOR, AND AS A RESULT TO EXPECT DELAYS. ABOVE ALL, WE HAVE LEARNED THAT INVOLVEMENT OF A.I.D. MISSIONS IN OUR INVESTMENTS IS INVALUABLE. AS IN ANY NEW PROGRAM, WE HAVE HAD UNSUCCESSFUL AS WELL AS SUCCESSFUL PROJECTS.

For the future, our emphasis will be on making use of improved evaluations and information dissemination to transfer Revolving Fund techniques to the field. Another objective is to achieve more leverage through private sector resources and mission funds, through mission "buy-ins" into Revolving Fund projects.

MISSION SUPPORT

The Bureau's Project Development Office has also served to institutionalize the private sector initiative by developing mechanisms to encourage USAID missions to move more resources to promote private sector development. Mission support dates back to the reconnaissance teams fielded in "target countries" to assess barriers and opportunities to private sector growth. Since then, mission requests for assistance have increased dramatically, straining staff resources. Three projects have been put in place to give us expertise pools in the areas of privatization, financial markets and private enterprise development support. A request of $5.8 million for FY 88 is for Mission Support activities.

Privatization, the transfer of state-owned enterprises or functions to the private sector, has emerged as a major priority for both our bureau and A.I.D. as a whole. The privatization project, through the Center for Privatization, responds to host government and mission requests for policy dialogue, analysis, project design, education and actual privatization. In Belize, we have helped privatize the banana control board. In Honduras, we are providing technical assistance to privatize six companies. Privatizations are under study in a number of other countries.

The Bureau also funded A.I.D's International Conference on Privatization in February 1986, the first of its kind. This attracted 475 delegates from 46 countries. The conference greatly expanded the worldwide data base for privatization and provided momentum for action in the LDCs. The bureau helped support a regional followup conference in the South Pacific in February and will co-sponsor another privatization conference in Tunisia in April. A.I.D. is playing a strong role in this kind of regional and country-specific dialogue on privatization.

The Financial Markets Project has provided technical assistance to 14 countries. This service is aimed at the need to strengthen LDC financial institutions so they can mobilize capital for business startups and expansion. The focus is on countries with the economic and political climate conducive to capital market development and where host government are likely to make the needed policy changes. The third project, for private enterprise development support, is designed to help integrate the private sector initiative in AID programs, and field-test new ideas. We have been involved in over 30 activities in such areas as policy reform, investment law, small-scale enterprise development, technology transfer, free zone legislation and, perhaps most important, in developing USAID Mission strategies for programs in the private sector. Under our grant program, the Bureau continues to support the International Executive Service Corps ($5.26 million in FY 88), the business volunteer group which has contributed greatly to private sector development work in many LDCs.

HOUSING AND URBAN DEVELOPMENT

The Office of Housing and Urban Programs, which is also under our Bureau, has primary responsibility for A.I.D.'s urban and shelter policy and programs and for addressing major urban

ISSUES IN DEVELOPING COUNTRIES. A REQUEST FOR $4.75 MILLION IN FY 88 IS FOR THESE PROGRAMS. THE OFFICE ADMINISTERS THE HOUSING GUARANTEE (HG) PROGRAM, DEVELOPED IN THE EARLY 1960S AS PART OF THE U.S. FOREIGN ASSISTANCE EFFORT TO RESPOND TO THE WORLDWIDE SHORTAGE OF ADEQUATE SHELTER. HG PROJECTS ARE OCCASIONALLY SUPPLEMENTED BY CAPITAL AND TECHNICAL ASSISTANCE FINANCED FROM APPROPRIATED FUNDS.

OUR HOUSING POLICY AGENDA HELPS DEVELOPING NATIONS ADOPT POLICIES AND PROGRAMS WHICH CAN PROVIDE ADEQUATE SHELTER FOR ALL CITIZENS WITHIN A FINITE PERIOD OF TIME. THE APPROACH IS: (1) TO PROVIDE THE OPPORTUNITY TO INDIVIDUALS AND FAMILIES AND PRIVATE DEVELOPERS AND CONTRACTORS TO PRODUCE LOW-INCOME HOUSING; (2) TO EXPAND THE AVAILABILITY OF LONG-TERM HOUSING FINANCE, WITH EMPHASIS ON MAXIMIZING THE ROLE OF PRIVATE SECTOR INSTITUTIONS IN PROVIDING CREDIT FOR LOWER-INCOME FAMILIES; (3) TO INCREASE THE EFFICIENCY OF PUBLIC SECTOR SHELTER INSTITUTIONS IN PROVIDING SUPPORT AND INFRASTRUCTURE FOR SHELTER TO LOW-INCOME HOUSEHOLDS.

THE URBAN PROGRAMS STRATEGY AGENDA IS TO FURTHER THE AGENCY'S COLLECTIVE UNDERSTANDING AND EXPERTISE IN SELECTED AREAS: URBAN MANAGEMENT, URBAN INFRASTRUCTURE, PRIVATIZATION OF URBAN SERVICES, AND LAND TENURE. THE HOUSING OFFICE ALSO EMPHASIZES THE NEED FOR APPROPRIATE HOUSING FINANCE MECHANISMS AND INSTITUTIONS TO MEET THE DEMAND FOR LOW-COST SHELTER AND HAS DEVELOPED VARIOUS COMPUTER-BASED METHODOLOGIES TO ASSIST IN ANALYZING THE HOUSING FINANCE SECTOR. WE DISSEMINATE "LESSONS LEARNED" THROUGH TRAINING PROGRAMS CONDUCTED IN THE U.S. AND IN LDCS.

THE HOUSING OFFICE IS ACTIVELY PURSUING OPPORTUNITIES TO ACHIEVE GREATER EFFICIENCIES AND INCREASED DEVELOPMENT PAYOFFS IN THE SHELTER AND URBAN FIELDS THROUGH GREATER RELIANCE ON

PRIVATE SECTOR INSTITUTIONS. IT SEEKS, WHEREVER FEASIBLE, TO CHANNEL AVAILABLE FUNDS FOR LAND DEVELOPMENT, HOUSING CONSTRUCTION, MORTGAGE CREDIT, AND BUILDING MATERIALS LOANS, FOR A.I.D.-ELIGIBLE BENEFICIARIES, TO OR THROUGH PRIVATE HOUSING FINANCE AND DEVELOPMENT INSTITUTIONS.

IN CONCLUSION, MR. CHAIRMAN, WE BELIEVE THE BUREAU FOR PRIVATE ENTERPRISE HAS TAKEN A STRONG LEADERSHIP ROLE IN ADVANCING A.I.D.'S PRIVATE SECTOR INITIATIVE. IN THE FUTURE, WE WILL ACCELERATE OUR EFFORTS IN PRIVATIZATION, FINANCIAL MARKETS AND BACKUP FOR MISSIONS TO EFFECT POLICY REFORM. WE WILL ALSO CONTINUE TO TEST AND REFINE MECHANISMS THAT ENLIST THE PRIVATE SECTOR AND RESULT IN COST-EFFICIENT, EFFECTIVE DEVELOPMENT IMPACT IN THE DEVELOPING WORLD.

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU AND LOOK FORWARD TO WORKING WITH YOU IN THE MONTHS AHEAD.

BUMPERS AND LAUTENBERG AMENDMENTS

Senator INOUYE. Your Bureau is not a big one. I think it has one of the most sensitive mandates, and a very important one because as has been demonstrated time and again, that if democracies are to flourish, the economic base as far as the private sector involvement should be expanded and private enterprise should be given an opportunity to flourish and succeed.

However, at the same time, you are confronted with problems here in the United States, which resulted in two amendments in the last continuing resolution. One was the Bumpers Amendment, affecting agricultural products, if they compete with U.S. products; and the other was the Lautenberg Amendment, on establishment of facilities that may result in injuring American businesses.

What sort of impact have these two amendments had on your work in Central America?

Ms. PEDEN. In Central America?

Senator INOUYE. I would like to limit it, instead of going all over the globe.

Ms. PEDEN. Really, these are two elements that are considered in our projects at the very time that we are designing the project—from the very beginning.

Senator INOUYE. But you are sensitive to these?

Ms. PEDEN. Very much so. And so far they have not had any impact, as such, on us as a bureau.

Senator INOUYE. I am interested, because when the GAO reviewed the Caribbean Basin Initiative, it indicated that these two amendments would have some sort of impact that could be substantial. I just wanted to know——

Ms. PEDEN. In the Bureau for Private Enterprise we are cognizant and very sensitive to this, and we will continue to be. We certainly will give it our attention.

TRANSFER OF U.S. TECHNOLOGY TO COSTA RICA

Senator INOUYE. In your budget, you describe the Agency's role in promoting the transfer of U.S. technology to Costa Rica for the production of four items; furniture, contact lenses, specialized metal products and safety glasses. Taking into consideration, the Lautenberg Amendment, do you know whether the U.S. firm involved has reduced or will reduce its U.S. production as a result of this technology transfer?

Ms. PEDEN. Senator, since that activity is performed by another bureau I am not familiar with the details of that project. I will certainly be glad to get the information for you.

Senator INOUYE. I believe it is included in your budget presentation. It is not a major item, but our concern is that we have American business people expanding these activities in Costa Rica. They are involved in similar businesses in the United States.

If the technology transfer is going to result in less work on our shores, then I would say you are going to have a lot of people screaming and crying.

You have it listed here. I would suggest that——

Ms. PEDEN. Under PRE?

Senator INOUYE. On page 12——

Ms. PEDEN. I don't have it with me.

Senator Inouye. If you could get us a response.

Ms. PEDEN. I surely will.

Senator INOUYE. I am certain that someone will be writing to me about contact lenses and raising the devil with us.

Ms. PEDEN. This is in fiscal year 1988; correct?

[The information follows:]

THE MTAP PROGRAM IN COSTA RICA AND ITS EFFECTS ON U.S. BUSINESSES

The Market and Technology Access Project [MTAP], managed by the Bureau for Science and Techonolgy, is designed to promote a variety of collaborative ventures between United States [U.S.] and Less Developed Countries [LDC] firms, including trading relationships, licensing agreements, co-production relationships, management and training contracts, and equity joint ventures. These relationships are intended to be mutually beneficial to both the U.S. and LDC partners. Project funding under MTAP is provided through cost-sharing contracts to private intermediaries who undertake the promotion of business opportunities on a commercial basis.

In Costa Rica, the MTAP contractor, International Commercial Services [ICS], was successful during the first year of its contract in concluding six agreements between

U.S. and Costa Rican firms to undertake ventures involving the production of furniture, specialized metal products, contact lenses, and safety glasses. None of these products is covered under the Lautenberg Amendment.

Each activity, as a minimum, would protect the present employment level of the participating U.S. firm and some are expected to result in new U.S. jobs being created. In no cases are loss of U.S. jobs expected to result from the project.

PRIVATE SECTOR REVOLVING FUND

Senator INOUYE. Yes. In 1983, the Congress authorized at the request of the administration a new program called the Private Sector Revolving Fund. This fund is designed to be self-supporting. However, it will not be self-supporting until 1989. The Housing Guarantee Program was established many years ago, with an operating fund that was designed to be self-sustaining. That operating fund is not sustaining itself at the present time because of the rescheduling of debt that is occurring in many Third World Nations.

What do you believe that the Private Sector Revolving Fund will be self-sustaining when the Housing Operating Revolving Fund turns out not to be self-sustaining?

Ms. PEDEN. I think the housing fund was self-sustaining until it was hit by this increased Third World Debt, which of course, we are all concerned with at this time. As for the Revolving Fund, we had hoped, and I think the original intent of Congress was that we would be able to draw the money and put it into interest-bearing accounts so that we would be having reflows from the time that it was legislated.

So because of that, our projections were skewed and we had to go back and ask for additional money.

EL SALVADOR PROJECT

Senator INOUYE. Ms. Peden, in 1988, A.I.D. is proposing to begin a new project in El Salvador. This is what it says: Its purpose is to "support the development of export industrial parks in order to increase foreign exchange earnings and employment opportunities in El Salvador."

I would agree with the purpose 1,000 percent, and I am certain you will because that is your mandate. However, in light of the congressional concerns that I just identified—Lautenberg and Bumpers—do you think that this project is wise?

Ms. PEDEN. Again, I am not familiar with details of that particular project, because I believe it is being implemented by the Bureau for Latin America and the Caribbean. However, we like to think that at PRE we are the catalyst that gets all of these bureaus thinking in terms of the private sector.

I think the problem that we are all faced with is trying to enable these LDCs to earn foreign exchange. When we do that, we are on a tightrope because we want to enable them to do that without hurting our own exports.

Senator INOUYE. Can you check with the ID to see if the congressional concerns enunciated in the Bumpers and Lautenberg amendments are being followed in the program planning?

Ms. PEDEN. I surely will.

Senator INOUYE. I think if you just export industrial parks, you are bound to step on many toes.

We like to keep the Members happy here.

Ms. PEDEN. I agree with you, and we like to keep you happy.

[The information follows:]

CONFORMANCE WITH THE LAUTENBERG AND BUMPERS AMENDMENTS

El Salvador's new project proposal for fiscal year 1988, "Industrial Parks and Infrastructure," proposes to support the development of export industrial parks. The project will provide technical assistance to develop private export processing zones [EPZ's] and credit to finance the importation of machinery and equipment for the EPZ infrastructure.

Typically, such industrial parks are ideal locations for light manufacturing companies and are not appropriate sites for agricultural export operations. Therefore, it is unlikely that the Bumpers Amendment will apply in this case. With regard to the Lautenberg Amendment, the Mission in El Salvador will design the project in such a manner that the Bumpers and Lautenberg Amendment provisions will be taken into account. In other words, this project would not support production of the import-sensitive articles or products listed under these amendments.

Senator INOUYE. I thank you, very much. We will be submitting other questions. I have been advised that there are other Members of the Committee who would like to submit questions.

Ms. PEDEN. Fine, and I will get back to you on the other projects.

Senator INOUYE. Thank you.

HOUSING AND URBAN PROGRAMS

STATEMENT OF PETER M. KIMM, DEPUTY ASSISTANT ADMIMISTRATOR FOR HOUSING AND URBAN PROGRAMS, BUREAU FOR PRIVATE ENTERPRISE, AGENCY FOR INTERNATIONAL DEVELOPMENT

BUDGET REQUEST

Senator INOUYE. Our final witness is the Director of the Office of Housing and Urban Development, Mr. Peter Kimm.

Mr. KIMM. Mr. Chairman, we are requesting $100 million in Housing Guarantee Authority in the fiscal year 1988 budget. $100 million in loans will be made by private U.S. lenders if the committee and the Congress approves this request, to finance improved shelter for low-income people in developing countries.

A.I.D. will guarantee repayment to the U.S. lenders who make these loans. All of the $100 million will go to finance improved shelter for low-income people, as defined in the law; low-income are the people below the median income, the lower half of the population and in many of the countries we work, those are very low incomes, indeed, and do not provide an adequate amount of money to finance a completed house or in some cases any house at all. What we are financing in large measure is improved urban service (water, sewage, electricity) for slum dwellers.

In one sense, $100 million is a very, very substantial sum of money. In another sense, $100 million is not a lot of money with which to address the shelter problems of the world. Nevertheless, we do not believe that our activities are irrelevant. We try to direct what we do at the policy and institutional decision-making levels within the governments with which we work.

During the time that I have worked in this field, throughout my professional life—about 25 years—we have observed that the world housing problem has been maintained under some sort of control, not through the efforts of government housing agencies building houses, but through an almost heroic effort on the part of the people themselves to construct or to cause to be constructed their own housing, and it is the self-help process that needs to be reinforced in order to make an impact on the world housing problem.

As a result, we attempt to accelerate the transfer of an understanding of the nature of the problem among developing countries so they can pursue pragmatic policies and approaches that lead to the resolution of the shelter problem.

As a result, we believe that an approach which involves government focus on land, on infrastructure and on the provision of credit, and that the construction of houses be done by the private sector, in large measure, by the people themselves, to be an approach under which the world shelter problem is indeed solvable. And if the right policies are followed, that within a generation or two, every human being on the face of the earth could have decent, if bare-bones, shelter. That is the goal that we are working towards.

HOUSING GUARANTY RESERVE FUND

You referred earlier, Mr. Chairman, to the housing guarantee reserves and the need for replenishment, and I would like to address that question briefly. Over the life of the program, loans have been made slightly in excess of $1.5 billion. To support that program, there has been to date a single appropriation of $40 million.

In addition to that $40 million, there was a transfer of $50 million from the reserve funds generated from prior Agency guaranty programs at the time when OPIC was set up and separated from A.I.D.

I believe that on a cost-effective basis—the amount of assistance provided compared with the amount of money appropriated—the guarantee program has a very fine record.

Our current strategy to combat the problem of debt rescheduling is that when the U.S. Government as a whole agrees to reschedule the debt of a developing country, if that debt includes guaranteed debt to a lender of the Housing Guarantee Program, then the country, in effect, has reached an agreement with the United States not to make those payments.

Those payments, therefore, have to be made from the reserves of the program on their behalf. Since these rescheduled payments are payments which we expect will be recovered in the near-term, over the next 7 to 10 years, that in lieu of appropriations we are now to use borrowing authority rather than appropriations to match rescheduled payments.

In effect, when the situation arises in which A.I.D. has to cover a borrowing country's payments, we will, in effect, borrow from the Treasury to make those payments, and when the country makes those payments to A.I.D. on its rescheduled debt, we will eventually repay that money to Treasury.

We believe that this is all bankable and that the debts that are due will be paid. If they are not, it would be in the case of a general collapse of the international financial structure. In such a situation, the Housing Guarantee Program would not be the major problem facing the world.

[The prepared statement of Peter M. Kimm follows:]

PREPARED STATEMENT OF PETER M. KIMM

DEPUTY ASSISTANT ADMINISTRATOR FOR HOUSING AND URBAN PROGRAMS

BUREAU FOR PRIVATE ENTERPRISE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Before the

Committee on Appropriations, Subcommittee on Foreign Operations, U.S. Senate

March 24, 1987

I am here today to discuss the Administration's request for $100 million in new Housing Guaranty [HG] authority in fiscal year 1988.

Housing Guaranty Program

The Administration's fiscal year 1988 budget includes $100 million for the Housing Guaranty Program. The proposed Housing Guaranty Program will finance new housing program initiatives for the urban poor in about seven countries.

There are certain basic principles that have guided recent A.I.D. shelter and urban programs and that will apply to the proposed new HG programs.

—Capital financing for shelter and urban infrastructure must come principally from LDC domestic financing resources. External resources should be used to encourage and foster the mobilization of internal capacity and resources.

—External donor financing should be used to influence policy change, to strengthen institutions, and to train LDC personnel.

—The private sector should have the major responsibility to build housing; with government's emphasis on providing that which the private sector cannot readily provide.

—When the government seeks to provide basic infrastructure to facilitate private housing efforts, the government should (a) provide services which are affordable to low-income families, and (b) should recover costs from such families.

—The world urbanization process is a major development consideration, and most LDC's lack the needed strategy or institutional base to deal with this problem.

—Authority to raise revenue and plan and implement urban investments should be devolved to local levels of government to the maximum degree feasible.

A.I.D. experience has shown that if the public sector were to follow these shelter principles, then over time, the needs of low income families for shelter and related services can be met without unrealistic increases in public expenditures.

I also want to include the approach to HG Program design that we are now undertaking in appropriate cases. The basic idea has been for some time to use HG financing specifically to induce policy change and institutional development which will broadly benefit our target group, the poor urban population, in the housing and urban services sector. To do this, we will provide HG disbursements or advances on the basis of achievement in establishing and carrying out policy or institutional measures which we negotiate with host country institutions.

We will, of course, still assure compliance with the statutory requirement that HG's be used for shelter and related services suitable for families below the median income. The local currency generated by HG disbursements or advances will finance shelter activities suitable for the target population and compliance will be carefully monitored.

Nevertheless, we would not be as deeply involved in specific subproject implementation as in the past. We think that host countries, in most situations, can undertake more direct project implementation responsibility and this will enable us to focus our attention more directly on those major sectoral issues which can have even greater impact on the target population than specific subproject output.

Housing Guaranty Reserve Fund

Cash flow projections for the Housing Guaranty reserve fund show a thin margin of safety as international debt rescheduling continues as a fact of life. Reserve fund payments made as a result of LDC debt reschedulings are expected to be recovered eventually. Therefore, we intend to meet cash flow needs through borrowings from Treasury rather than requesting direct appropriations from the Congress. Pursuant to the FAA, A.I.D. is authorized to borrow up to $40 million from the Treasury to meet loan guaranty claims. Cash flow projections for the HG reserve fund show that between fiscal year 1987 and fiscal year 1991, up to $100 million of borrowing authority may be required, including a contingency margin to cover any unforeseen claims. Therefore, the fiscal year 1988 legislative request to the Congress proposes an increase in Treasury borrowing authority from $40 million to $100 million.

We anticipate that net claims against the reserve fund will amount to approximately $20 to $25 million per year during this period. Of this amount, approximately 85 percent is to cover claims for countries rescheduling debt. We estimate that in the near term, a current voluntary refinancing program can address about half of the claims resulting from reschedulings. Therefore, in fiscal year 1987 A.I.D. projects the use of $10 million in borrowing authority. For fiscal year 1988, it is estimated that $22 million in borrowing authority will be required.

HOUSING PROGRAM IN CHILE

Senator INOUYE. I can assure you that we do not consider your work to be insignificant. After all, you are involved in an activity which is essential to human kind, just as essential as health and education. We consider your work to be very essential.

In recent weeks, our Ambassador Barnes in Chile, has been in discussions with a number of Senators and Congressmen concerning his interest in initiating an A.I.D. housing program in Chile. I am certain you are aware that the Congress is divided as to support of Chile.

Mr. KIMM. Yes, sir.

Senator INOUYE. General Pinochet is not necessarily the most popular person in certain quarters around here—at least, not in my household, and the Ambassador indicated that this project would permit our country to maintain "a positive presence in Chile" without allying the United States more closely with the present government.

Do you believe that this type of project can be structured so it will not appear as an expression of support for the present government? What is the present status of this project?

Mr. KIMM. We are not doing any work at all on this project, Mr. Chairman, pending the consultation with the Congress. Frankly, we at A.I.D. are very concerned that such a project could be misconstrued to be supportive of the Pinochet government, contrary to the wishes of the Congress.

I think that Ambassador Barnes would be a more likely person to try to answer your question. I can say that Ambassador Barnes believes that such a project would not provide inappropriate amount of support to the Pinochet government, and would give him an opportunity to open up dialog with other democratic elements within the society during this difficult period of time.

A.I.D.'s concern is that we not alienate the Congress, and that we would like clear direction, a clear understanding with the Senate that this is a project that they would like us to undertake before we would start it.

INVOLVEMENT OF CHILEAN GOVERNMENT IN PROGRAM

Senator INOUYE. Can you carry out this project without involvement of the Chilean Government?

Mr. KIMM. Not entirely, sir, no. The Government would have to be involved in bringing the money in and out of the country; although the loans are made in dollars, the project will be in local currency and it would not be possible for such a project to take place without an understanding with the Government.

Senator INOUYE. Could it be done with the private sector?

Mr. KIMM. Yes; the beneficiaries of the project as proposed will almost certainly be the cooperatives in Chile which generally are rather tightly tied to the Catholic Church.

Senator INOUYE. But you still need government involvement.

Senator HARKIN. Mr. Chairman, I just wanted to ask about that involvement. In my discussions with Ambassador Barnes, it was my impression that the Government involvement would only be limited to a transaction-kind of involvement; changing dollars to the local currency or something like that.

But that we would have the ability to direct the money to cooperatives. There are a lot of housing cooperatives in Chile, closely connected with the nonprofit organizations, mainly the church, that could use this money for cooperative housing.

I guess I am one of those, if this indeed is money that goes to the Government and the Government has control over where it goes and how it is used, I probably could not support it. But, if in fact, it is money that would go directly to the cooperatives with only the Government playing a perfunctory role of exchange, then that might be palatable.

Could you elaborate on what the Government's role would be in Chile in this operation?

Mr. KIMM. In order to bring foreign exchange into a country, the foreign exchange has to become available to the central bank of the country and the central bank has to give you a certain amount of local currency for that foreign exchange in order to use it for the project. That is the minimum involvement of the Government of Chile. There is no way for the Housing Guarantee Program to do a program in Chile without that much involvement.

It is Ambassador Barnes' intention that it be limited to that, and that selection of the projects, what would happen to the money from that point on, would be something that would be worked out between the U.S. Government, headed by himself, Ambassador Barnes, and the particular cooperatives who would benefit from the program, and from my point of view, I think that is entirely feasible.

Senator HARKIN. It could be done?

Mr. KIMM. Yes, sir, I think we can give you our assurances that if it went in some other direction, we would abort it.

Senator HARKIN. Well, then that might be something that I would be interested in. I had a discussion with Ambassador Barnes on it, and obviously there is a need for such a program; there are strong cooperatives who can provide these services, from my own experiences there. Again, it is my concern that the Government might take this thing over.

Mr. KIMM. I am very pleased to have this dialog because I think we could define rather precisely what the Government's role is so we can understand what the ground rules are. It would be administratively an essential player, without whom you could not do the project. They would not make decisions as to how the program would operate, or where it would go.

I don't think we could achieve Ambassador Barnes' purposes if that were to happen; I don't think he would be interested in that.

Senator HARKIN. Thank you. I just wanted to clear up that point.

Senator INOUYE. I think you have just saved Ambassador Barnes.

REGIONAL OFFICE LOCATIONS

In your congressional presentation, you state that your office has three offices in Latin America and the Caribbean; Panama, Jamaica, Honduras; two in Africa and one in the Near East; none in Asia.

Is there a reason for none in Asia?

Mr. KIMM. There is one in Asia, Senator; in Bangkok.

Senator INOUYE. You don't mention it.

Mr. KIMM. We may have a typo in our congressional presentation, but we do have an office in Bangkok. These are very small offices. Our total staff, which is funded out of fee-income, is 50 people; about half of them are overseas and half of them in the United States. They would have either three or four professionals in each of our regional offices.

Senator INOUYE. Any reason for three in one small area, and two in a huge area like Africa?

Mr. KIMM. The Housing Guaranty Program tends not to be available to the poorest countries who are unable to borrow and so our African program is not as large as it might be if we were administering other resources. About half of the program historically has gone to Latin America and we tend to base the regional office in a country that has a very large program.

We have very large programs in Panama and in Honduras and in Jamaica, and have found it administratively wiser to handle it that way.

HOUSING PROGRAM IN ECUADOR

Senator INOUYE. I believe all of us will agree that the objective of the Housing Guaranty Program is to develop shelter for those families that find it difficult to get the necessary financial resources in the regular financial market to build homes. In other words, poor folks.

Mr. KIMM. Right.

Senator INOUYE. Now, if that is the case, why is GAO reporting to us that Ecuador's Housing Bank used U.S. funds in a manner that did not permit lower income groups to qualify? In fact, it reported that the Ecuador Housing Bank was investing most of its resources—money that they got from us—in homes for upper income groups.

Mr. KIMM. I believe the finding, Senator, related to what they were doing with their own money as opposed to what they were doing with our money. The money that we would make available to them must fund housing which was affordable by people at or below the median income.

Senator INOUYE. In other words, we made it possible for Ecuador to help the richer folk.

Mr. KIMM. That is the way it worked out.

Senator INOUYE. If we didn't provide the funds, would Ecuador be helping their poor folks, or their rich folks?

Mr. KIMM. The recommendation—that audit is more than a year old—was that we should work with the Government of Ecuador to get them to lend to a lower income group. I believe that we have had some success in that effort; that is, in getting the Government to lend its resources to lower income people.

Senator INOUYE. Well, it showed that most of the resources, theirs and ours, were being invested in the better homes for the wealthier families. Something like this just won't fly in Congress, because it is—the impression that we get is that these moneys are being spent to help those who find it very difficult to find shelter, who live in the jungles and out in the desert, and they need a roof over their head and not something with fancy bathing facilities, with bidets, and such, and this is what they are getting.

I would hope that you would look into this and provide us with your report on what is happening in Ecuador, especially, because this may become a very sore spot in some of our States.

My final question is on matter of policy. About 16 years ago if my recollection is correct, we began ambitious programs, housing, in Central America. At that time, many private contractors in the United States got into the act. We noticed that some of the housing units were much more expensive in Central America than they were in the mainland United States—same quality, same structure—which indicated that our contractors, for the most part, were applying architectural designs which were appropriate in Texas, in El Salvador; products that had to be shipped in from the mainland United States instead of using locally available products—are we watching these things now?

Mr. KIMM. Yes, sir, Senator, there was a program; I was here 16 years ago, doing what I am doing now.

Senator INOUYE. You know what I am talking about?

Mr. KIMM. Yes, I do. And initially the Housing Guaranty Program was focused at American homebuilders building overseas. It was actually lobbied into the law in the first place by the National Association of Home Builders in 1962.

Today, there are virtually no American home builders constructing housing financed by the Housing Guaranty Program. The only place where you would find that would be where the American builder has some operation in that country anyway. It is not a program which induces an American builder to go overseas and attempt to build a project or two.

The early experience with the Housing Guaranty Program was quite mixed. Some American builders did very well and built very nice projects. Some American builders lost money and some American builders went broke and didn't pay their bills. The sum of it all was that it was not really a program that the U.S. Government and the State Department would really want on a continuing basis.

We are now trying to work on the basic shelter institutional base in the country: how is shelter produced, how is water and electricity, and the basic urbanized land provided? And we are putting our resources into that process. If an American builder or anybody else profits from the economic process, fine. But we are not focused there.

Senator INOUYE. I hope you are consulting and coordinating your activities with Mrs. Peden.

Mr. KIMM. Mrs. Peden is my boss, sir.

Senator INOUYE. Then you had better coordinate with her.

Do you have any questions?

Senator HARKIN. No, Mr. Chairman.

Senator INOUYE. I thank you very much for your assistance this morning, and we thank all of you for your testimony.

SUBMITTED QUESTIONS

Committee members will have additional questions for all witnesses to answer. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Departments for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE

BUREAU FOR PRIVATE ENTERPRISE

OVERLAPPING PRIVATE SECTOR PROGRAMS

SENATOR INOUYE: Mrs. Peden, in 1982 the Private Enterprise Bureau was established. Since then each of the regional bureaus has established a private sector program. In 1986, the Administrator established an Office of Private Sector Coordination in his office.

How does A.I.D. insure that there is no duplication between the activities of all these private sector programs?

Now that private sector programs have been integrated into the regional and country programs, does there continue to be a need for a separate Private Sector Bureau?

MRS. PEDEN: The operations of the Bureau for Private Enterprise (PRE), the Office of the Private Sector Coordinator, and the regional bureaus are supportive in nature, not duplicative. PRE provides leadership and assistance to A.I.D. missions and the regional bureaus, which back-stop mission activities, in carrying out the private enterprise initiative. PRE develops private enterprise models for demonstration and replication purposes and provides a core of technical expertise to overseas missions and other A.I.D. bureaus in such areas as private enterprise strategy and policy development, investments, financial markets development, divestiture and privatization, and urban shelter and development. PRE's focus is on the achievement of economic growth with equity through indigenous private enterprise mechanisms.

In each of A.I.D.'s regional bureaus there is a private enterprise staff that is used for direct liaison with those bureaus and as a conduit for dissemination of information throughout each regional bureau as well as an additional source of technical assistance for a particular region.

The Office of the Private Sector Coordinator (OPSC) was established in 1986 to encourage increased U.S. private sector investment in developing countries by identifying joint ventures and other direct investment opportunities for U.S. firms in those countries.

The private enterprise initiative is spreading rapidly through the agency in large part because the PRE Bureau is providing the focal point necessary to foster new ideas. The rising demand from A.I.D. missions for services is a response to the Bureau's successful effort to create a pool of expertise with our own staff and specialists acquired through contracts. The efficiencies provided by the Bureau's core group of experts are essential to continue to move the Agency toward finding private sector solutions to development problems.

HOUSING AND URBAN PROGRAMS

NEW HOUSING STARTS IN SLOW PAYING COUNTRIES

SENATOR INOUYE: Mr. Kimm, there are over a dozen countries which are not current on their existing payments to the Housing Guaranty Revolving Fund.

These are: Argentina, Bolivia, Dominican Republic, El Salvador, Ecuador, Guyana, Honduras, Nicaragua, Venezuela, Peru, and Senegal.

Are you entering into any new housing guaranties to any of these countries in 1988?

Why are you making new guaranties to a nation that is not current on its debts?

MR. KIMM: The Housing Guaranty (HG) Program does not guaranty any loans to a country that is not current on its HG debts. We will not enter into any new guaranties with the above listed countries if they are not current on their existing HG payments.

NEW STARTS NOT IN BUDGET

SENATOR INOUYE: Mr. Kimm, for each new program start funded by the development assistance or the economic support accounts, a description is included in the Congressional Presentation document.

There are no references to new housing starts in the 1988 Congressional Presentation Document. In fact there will be new housing guaranties in four nations and new funding of a centrally funded and a regional program.

Why are these new starts not justified in the budget?

MR. KIMM: At the time of the budget preparation, the projections of new Housing Guaranty program starts are quite preliminary given the financial market-based nature of the program. However, our estimates are based on anticipated programs and overall developmental objectives of a region as contained in A.I.D. mission and regional bureau program strategies. We will be forwarding information on these new activities to the Congress as it becomes available.

QUESTIONS SUBMITTED BY SENATOR KASTEN

AMERICAN SCHOOLS AND HOSPITALS ABROAD

AMERICAN UNIVERSITY OF BEIRUT

SENATOR KASTEN: Mr. Santos, will you give the committee an update on the current situation at the American University in Beirut? I think the subcommittee would be especially interested in your views of exactly who is in control at the University and whether we should continue to support it, or perhaps whether it might be a good idea to mothball the University or relocate it in hope for a better day. What are the Agency's views on this matter?

MR. SANTOS: The American University of Beirut (AUB) remains intact and has suffered negligible material destruction. The University Hospital is treating over 100,000 patients annually. More than 5,000 students are enrolled, an all-time high. However, the geographic diversity in student body continues to decline because of poor security in Lebanon. Almost 90 percent of the students are Lebanese. Prior to the conflict, 45 percent of the student body was from outside Lebanon.

Operating in Lebanon remains a difficult proposition for AUB. Organizationally, the University continues to function as a private non-profit institution governed by its Board of Trustees, which is composed principally of U.S. citizens and a U.S. president. Dr. Frederic P. Herter, the former Chairman of AUB's Board of Trustees, is replacing Calvin H. Plimpton as president. Dr. Robert F. Goheen, former President of Princeton University and Ambassador to India, will be assuming the chairmanship. Day-to-day operations are carried out principally by Lebanese faculty and staff with years of expericence and commitment to AUB.

University officials are undoubtedly correct in their assessment that if AUB were to close and be mothballed its remaining core of faculty and staff would be lost and likely never reassembled. Thus, while survival of AUB is not assured, its closure would ensure its nonsurvival. It could not be created anew in the present climate. As for relocating the University, costs preclude that option since AUB's facilities, built over more than 100 years, have an estimated replacement cost of $600 million.

With both core facilities and people in place and functioning, it remains in the U.S. interest to continue assisting AUB. The question is at what level given budgetary constraints and competing activities. Because of its location, AUB is no longer able to attract a substantial number of students from other countries. Substantial ASHA assistance has been predicated on AUB's having or hopefully retaining regional impact. It is increasingly difficult to justify allocating $6 million of ASHA's budget, 17 percent, for an institution whose regional character continues to erode because of the lack of political and economic stability in Lebanon. At present it remains to be seen whether recent improvements in security as the result of Syrian action will endure and whether the Lebanese after years of conflict will finally be able to resolve their internal problems. We commend AUB's Review Committee on Long-Range Planning for its report on renewing the University's tradition of excellence. Many of its recommendations, including those for improving fund raising, are sound. However, we are less sanguine than AUB's review committee about successful execution of the report's recommendations pending substantial improvement in the environment in which the University functions.

ASHA'S FY 1988 APPLICANTS AND FUNDING

SENATOR KASTEN: What is the total in dollar terms of applications that you have for Fiscal Year 1988 funding?

In view of that number, is not your budget request awfully low, or do you think that your request will fund the deserving projects with only undeserving projects not receiving assistance?

MR. SANTOS: The deadline for submission of applications for FY 1988 is August 31 of this year. The dollar amount of applications will likely be within the range of recent years.

During the past five years, FYs 1983-1987, the dollar total of the applications has ranged from a low of $62 million in FY 1983 to a high of $94 million in FY 1987.

It is difficult to answer your second question without knowing the institutions and proposals that will comprise the pool of applicants in FY 1988. However, we believe the budget request is reasonable and will permit the most deserving proposals to be funded although greater selectivity and/or more cost sharing and matching requirements may be necessary.

FY 1987 ASHA ALLOCATIONS

SENATOR KASTEN: Mr. Santos, when will you be making your final decisions on the allocation of FY 1987 funds for your program?

MR. SANTOS: As of this hearing date, we expect the final notification of FY 1987 ASHA allocations to reach Congress and this Committee within a week.

U.S. FOREIGN DISASTER ASSISTANCE

STATUS OF INTERNATIONAL DISASTER ASSISTANCE ACCOUNT

SENATOR KASTEN: I have a couple of questions on the status of the international disaster assistance account, first of all, what is the balance remaining in that account for fiscal year 1987?

MRS. TAFT: As of April 14, 1987, a balance of $3.2 million is available in the International Disaster Assistance account. The following table provides a breakout of the funds programmed, obligated, committed, and balance remaining for emergency relief, regional stockpiles, and preparedness activities.

	Programmed	Obligated	Committed	Balance
Emergency Relief	$20,731,825	$10,663,856,	$9,600,000	$467,969
Regional Stockpiles	1,500,000	445,000	300,000	755,000[2]
Preparedness	6,000,000	1,790,410	2,209,590	2,000,000[2]
Totals	$28,231,825[1]	$12,899,266	$12,109,590	$3,222,969

[1] Includes $20 million of appropriated funds and $8,231,825 in prior year carryover funds. (Excludes $50 million earmarked for El Salvador earthquake relief.)

[2] Due to the large number of disasters (27) already declared in FY 1987, the Office of U.S. Foreign Disaster Assistance (OFDA) is postponing funding of some of its stockpile and preparedness projects until FY 1988. These funds will be reprogrammed to support emergency assistance requirements over the next six months.

ECUADOR EARTHQUAKE ASSISTANCE

SENATOR KASTEN: What do you anticipate will be the U.S. response in dollar terms out of the IDA Account for earthquake assistance to Ecuador?

MRS. TAFT: The Office of U.S. Foreign Disaster Assistance (OFDA) is funding bridges needed to complete an alternate southern route into the isolated Napo Province and has obligated $3,341,000 for the bridging material and related construction costs. This coupled with expenditures for tents, plastic sheeting and technical assistance in damage assessment will bring the total OFDA contribution to an estimated $3,795,000. We do not anticipate further expenditures to bring the funding level for disaster assistance beyond $4,000,000.

EL SALVADOR SUPPLEMENTAL REQUEST

SENATOR KASTEN: There is a supplemental request for $100 million for disaster assistance in El Salvador. Have you utilized the entire $50 million which we provided in the Continuing Resolution for earthquake assistance? If not, how much is left?

MRS. TAFT: The $50 million appropriated by the U.S. Congress in October 1986 for the Earthquake Recovery Program was fully obligated on November 21 for specific activities -- employment generation/clean-up ($4 million); micro and small business credit lines ($10 million); housing ($28 million); and public service repairs ($8 million).

The pace of program implementation has picked up considerably. Through the end of March 1987, more than $41 million has been advanced or disbursed to the Government of El Salvador for some 800,000 person days of employment in rubble removal, 4,800 loans for home repair and reconstruction, 1,300 loans for rehabilitation of micro and small businesses, and materials distribution to provide temporary shelter for an estimated 31,000 families. In addition, the construction of more than 500 temporary classrooms was under way, with 319 new classrooms and 400 repairs scheduled for completion in April.

A.I.D. expects that the entire $50 million appropriated by the U.S. Congress for the Earthquake Recovery Program will be disbursed by the end of November, and all but a very few public services repair activities completed by the end of the year.

INSPECTOR GENERAL

THE SEPARATE INSPECTOR GENERAL APPROPRIATION

SENATOR KASTEN: Inspector General Beckington, you are now in your second year of separate operation. Can you give the Committee a sense of how it is going to operate this way, and whether you are having any problems because of this separate line item you have been provided, and also whether or not you feel that you are getting the support necessary from A.I.D., especially as I understand that you are charged for a certain amount of support?

MR. BECKINGTON: The separate appropriation for the Inspector General is working well. It clearly supports the independence of the IG function. Support from A.I.D. has been generally adequate as we have shifted to this new appropriation structure. We have not yet fully settled all aspects of what constitutes proper overhead charges to the IG for certain Agency services. These issues will, I believe, be resolved soon and on equitable grounds.

AGENCY ATTENTION TO AUDIT REPORTS

SENATOR KASTEN: General Beckington, one of the conclusions that I have reached with respect to many of the reports which you issue is that the many people who could benefit from your reports within the Agency--including those who may not be directly affected by a specific case--don't, in fact, read your reports, and therefore that is one reason why you encounter so many of the same problems year after year. Am I being too harsh by assuming this?

Do you know whether or not the Administrator of the Agency has any policy with respect to requirements that responsible managers read and study your reports?

MR. BECKINGTON: I am not aware of any Agency policy requiring responsible Agency managers to read and study Inspector General reports. There is a requirement in personnel performance reports requiring comments on a manager's follow up on audit recommendations.

There is a mixed record in the Agency in terms of attention paid to IG audit reports. Generally speaking senior agency managers, on the evidence available to me, spend relatively little time with these reports. Exceptions to this do occur, of course. I also believe that somewhat more attention is being paid to these reports at the working level than was true in the past which is good. I have noted particularly more positive reaction to financially oriented recommendations involving disallowed and questionable costs.

CONTINUING PROBLEMS WITH HOST COUNTRY CONTRACTS

SENATOR KASTEN: General Beckington, in years past, you have testified that there are a number of problems which continually present themselves when you do investigations and audits -- one example was problems associated with host country contracts. Are there any new problems which you are seeing, or perhaps you can comment on whether we are still seeing some of the very same problems which you have uncovered year after year in your investigations and audits.

MR. BECKINGTON: We tend to find both new and repeat problems. Our semiannual reports to Congress and my testimony to the Committee describes cross cutting, systemic problems in areas such as cost sharing, project design, exchange rates, project monitoring, and as you suggested, host country contracts. Host country contracts continue to be a source of management problems for the Agency. The conditions giving rise to these problems remain the same -- poor capability and thus poor performance by host country organizations and limited oversight by A.I.D. field missions and central bureaus.

THE NEW REQUIREMENT FOR SEPARATE CASH TRANSFER ACCOUNTS

SENATOR KASTEN: General Beckington, last year Congress included a provision in the appropriations legislation with mandates that ESF funding if over $5 million to any country shall be kept in a separate account. The thinking behind this provision was that by so doing, we could avoid possible misuse of such funds. I don't know if it's too early to tell whether this provision is working, but whether it's too early or not, what is your view on this provision, especially asking yourself the question of whether it will not, in fact, do what it's intended to do -- that is, avoid misuse of this funding?

MR. BECKINGTON: The legislation you refer to became effective only two months ago. We are tracking closely the Agency's implementation of it. I believe it will enhance to a degree the integrity of cash transfers to foreign aid recipients, but it will not by itself prevent misuse of this type of funding.

INVESTIGATION OF THE ECUADOR A.I.D. PROGRAM

SENATOR KASTEN: General Beckington, in the hearing last week with Peter McPherson, the Chairman asked some questions about your ongoing investigations in Ecuador. I know that you cannot discuss the details of this investigation, but one question that the Chairman asked that Mr. McPherson was not sure of the answer was when you were told of the problem -- as I remember the management of the Agency knew about this last October. When were you brought in?

MR. BECKINGTON: As I noted earlier in reply to a similar question by the Chairman, the allegations regarding the Ecuador aid program were first reported to me in December 1986.

BUREAU FOR PRIVATE ENTERPRISE

PRIVATE SECTOR INITIATIVES

SENATOR KASTEN: Mrs. Peden, the private sector initiatives undertaken by this Administration are now several years old. There has always been some skepticism with respect to this program, not because of the motives behind the program, but because the Agency itself is not one that is geared toward private sector activity. Most of the employees of A.I.D. have been trained and have worked in government to government programs, and therefore the skepticism involved around the concern that the people who would be called upon to manage these programs would, despite the name of the program, end up with just more government to government programs.

It is almost a question of attitude.

Do you think that the idea of private sector initiatives as part of our foreign aid program has really taken hold in the A.I.D. bureaucracy, and are we starting to see some results in the overall program?

MRS. PEDEN: The success in focusing the attention of the Agency on the role of the private sector in development can be measured in several ways, but the real tests are the adoption by our overseas missions of new attitudes, the use of new program mechanisms by those missions and changes in host government policies that lead to market-driven, sustainable growth at all levels of society.

The Agency's private enterprise program has led to the use of many techniques not used or rarely used before 1981. Some examples are in entrepreneurial training, commercialization of technology, expansion of private financial markets (commercial banks, leasing companies, venture capital firms, etc.), strengthening of business associations, and new emphasis on investment and export promotion. We are continually striving to develop new techniques to change the delivery mechanisms in the traditional aid sectors, such as the use of satellite farms to promote agribusiness, the adoption of new health financing techniques to promote the private delivery of health care, and innovative uses of P.L. 480, Title I, Section 208 proceeds to finance private sector growth. Furthermore, A.I.D.'s strategic planning process now includes specific requirements related to private sector development in each country.

It is our opinion that such efforts have resulted in a fundamental change in the way A.I.D. does business. By way of illustration, by 1986, nearly one-half of A.I.D.'s development assistance program was directly or indirectly expended in a way that benefits the private sector.

CONFERENCES ON PRIVATIZATION

SENATOR KASTEN: Please give examples of the kinds of important and relevant data you collected from your February 1986 International Conference on Privatization that inspired you to support a similar conference this February, and another in April. Who comes to these conferences, what do they cost, and who pays for them?

MRS. PEDEN: Information developed at the Washington conference through reports, speeches and discussions, and reported by A.I.D. field missions later, demonstrated clearly that interest among developing countries in privatization as an instrument of development and better economic performance was widespread from Morocco to the Philippines. It also showed a willingness on the part of delegates to follow up in their own countries in order to keep up the momentum started by the conference. A.I.D. missions reported that selected regional or country-specific conferences in the less developed countries (LDCs) - tailored to their specific economic, political and technical environments - would be extremely helpful.

Moreover, the Washington conference underscored the fact that the LDCs were at various stages in their privatization efforts. Some countries had yet to build the conceptual framework and the wide political support from many elements of society which are essential to the process. Others had surmounted those political hurdles and were ready for "how to" sessions. The regional/country follow-up conference is an effective forum in either instance.

Finally, these conferences complement and give impetus to achievement of a goal for A.I.D. missions in some 40 countries, announced by Administrator McPherson at the Washington conference, for an average of two privatization activities per country per year, beginning in FY 1987.

Like the Washington conference, the regional conferences bring together high-ranking representatives of both the public and private sectors in the LDCs, international experts from the business and banking communities, the universities, and selected A.I.D. officers.

Direct costs for the 1986 Washington conference were $242,722 (nearly $6,000 under budget), and were borne by the Bureau for Private Enterprise. A.I.D. missions and, in some cases, LDC governments or businesses financed travel and expenses of LDC delegates. The conference in February in Suva, Fiji, which attracted delegates from 15 Pacific Island nations, cost about $93,000, with costs shared by the A.I.D. Mission in Suva, the Department of Interior, and the Bureau for Private Enterprise through the Center for Privatization. Expenses of the regional conference scheduled for April 22-24 in Tunis, which will draw delegates from Tunisia and nearby North African and Middle Eastern countries, are expected in the $85,000 range, shared by the Government of Tunisia, the A.I.D. Mission in Tunis, and the Bureau for Private Enterprise through the Center for Privatization.

PRIVATE SECTOR DEVELOPMENT STAFF

SENATOR KASTEN: Have you developed a measurable standard for an acceptable level of private sector development staff expertise?

MRS. PEDEN: The long-range success of private enterprise programs is heavily dependent upon the capabilities and experience of the individuals who design, implement and service these programs. The private sector approach in the provision of development assistance offers the potential for self-sustaining, long-term economic growth with equity.

Through systematic training of existing staff and mid-level recruitment of persons with business and banking backgrounds, A.I.D. is establishing a cadre of personnel with the experience and capabilities needed to design and implement private sector-oriented programs.

The level of expertise needed by current staff to implement private sector development programs is being reached through special A.I.D. training programs. One of these, "The Role of Private Enterprise in Development," has now been successfully instituted. This highly regarded program has thus far trained over 100 employees, and is being offered again during the Summer of 1987. By 1990, A.I.D. plans to have trained 500 direct-hire employees. A modified version of this program may be taken "to the field" in FY 1988 for training of host country support staff and others. In addition to the private enterprise course, A.I.D. staff receive short- and long-term training in financial analysis, business, and economics to expand their knowledge of these disciplines critical to private enterprise development. A.I.D. also sponsors periodic seminars on such topics as venture capital, debt equity swaps, privatization, and financial management for small-scale enterprises.

REVOLVING FUND BENEFICIARIES

SENATOR KASTEN: How has the Revolving Fund benefited the poor majority, as mandated by the Foreign Assistance Act?

MRS. PEDEN: The Revolving Fund provides new ways to satisfy A.I.D.'s commitment to meet basic human needs. One way our projects help to reach this goal is through providing private sector delivery systems which can provide increased availability of needed services, on a more efficient basis than government mechanisms. This is the case with our project with the Serum Institute of India as well as our project with Accion International. The primary focus, however, is on the generation of purchasing power so that the less developed countries' poor majority, through their own labors, can afford to buy food, shelter, medical care and other essential needs.

This effort focuses especially on job creation by small- and medium-sized, labor-intensive private enterprises. (Over 90% of the Revolving Fund portfolio is targeted at this group.) They represent a dynamic force for development and generate employment at a lower investment cost per job than larger businesses. They frequently operate among the poor, creating employment for local labor. In spite of the above, traditionally, small- and medium-sized private enterprises have had only limited, if any, access to correctly priced and supervised credit. The Revolving Fund provides an opportunity to overcome this major obstacle.

GEOGRAPHICAL COVERAGE OF REVOLVING FUND

SENATOR KASTEN: With respect to your Revolving Fund, how do you intend to expand the geographical coverage of your loan projects?

MRS. PEDEN: As of September 30, 1986 distribution of the $44,900,000 Revolving Fund portfolio by region was as follows:

Asia/Near East	64%;
Latin America and Caribbean	26%;
Africa	7%; and
Worldwide	3%.

Special emphasis has been placed on project development in countries that have yet to be included in the Revolving Fund portfolio. The development of new country analyses, new product service orientation, and new financial structures and instruments are now the main objectives for expansion of Revolving Fund efforts, with A.I.D. mission support.

The Bureau for Private Enterprise began to focus on expansion of Revolving Fund activities in Africa in 1986. A project was successfully designed in sub-Saharan Africa. These efforts continue in 1987 and there are currently four potential projects under review for future funding. Three of these are in East Africa and one in West Africa.

USE OF PRIVATE ENTERPRISE MECHANISMS

SENATOR KASTEN: In your policy paper of March, 1985, A.I.D. bureaus and missions were asked to identify situations in which private enterprise can be used as a mechanism through which foreign assistance can be delivered. Please give us as thorough a report as you can on the kinds and scope of the responses you have received.

MRS. PEDEN: A.I.D.'s Private Enterprise Development Policy Paper (revised March 1985) exhorted A.I.D. missions, in their programming process, to identify and, to the extent possible, to use private sector mechanisms for the delivery of economic assistance.

A.I.D. has made substantial progress in demonstrating that it is committed to the notion that a vigorous private sector is key to development by redirecting many of its resources, programs and personnel toward market-oriented, private sector activities. The "Private Sector Initiative," instituted in 1981, is based on the belief that greater reliance on private enterprise, individual initiative and entrepreneurship, the encouragement of competition and a reliance on market forces to guide economic progress are essential for sustained, equitable economic growth in the developing countries. The appeal of this private sector approach is its potential for true long-term economic growth and development of permanent private sector institutions.

Achievements, to date, are reflected in measurable expenditures allocable to efforts at promoting private enterprise in beneficiary countries, accounting for 48.6 percent of expenditures in fiscal year 1985. The scope of activities identified and under implementation is broad and covers activities in all geographic regions.

One type of assistance to the private sector is assistance made directly to and through private sector entities. This type of aid is based on the premise that private sector entities can generally make the most efficient use of resources best contributing to economic growth. This assistance includes general support to (1) business entities; (2) manufacturing facilities; (3) investment promotion and export market development; (4) credit availability and capital formation; (5) management development and vocational training; and (6) building private institutions.

For instance, the availability of credit and capital is essential for private sector growth, but in many less developed countries there is little credit infrastructure, credit facilities are managed by public sector entities, or private institutions generally do not cater to small borrowers. A.I.D. uses multiple methods of assistance to address the need for accessible credit and capital formation.

In some instances, aid directly to private sector entities will have the most meaningful impact upon economic growth and development. In other cases, assistance is provided indirectly to private sector entities through public sector intermediaries whose goals are direct assistance to the private sector. This type of aid, for example, could take the form of financial flows through a central bank to an intermediary financial institution (IFI), such as a farmers' credit union or cooperative, or directly to the IFI or private sector end-user.

Another type of assistance to the private sector is aid to private and voluntary organizations (PVOs) and nonprofit organizations. Although some of these expenditures support projects that are more of a public service in nature (e.g., humanitarian aid, basic health care, etc.), which may incidentally enhance private sector development, much of the assistance to PVOs and nonprofit organizations directly supports and encourages the development of the private sector (e.g., credit availability, training of technicians, etc.), and complements A.I.D.'s overall program of promoting private sector development. PVOs and nonprofit organizations provide an important alternate delivery mechanism to government for aid to the private sector and development of private enterprise.

In FY 1985, A.I.D. supported various PVO-managed programs devoted to training laborers, technicians and managers and as a means of transferring technological and managerial knowledge. One Bureau for Private Enterprise (PRE) grant to Volunteers in Overseas Cooperative Assistance supported sending U.S. farm volunteers to developing countries for short-term assignments helping local farmers. Another PRE grant supported the International Executive Service Corps (IESC) program of transferring business skills to developing countries through volunteers. The Bureau for Food for Peace and Voluntary Assistance supported a grant to Technoserve, Inc. to provide technical, managerial, and financial assistance to establish and strengthen community-based enterprises.

Similarly, there are opportunities to employ private enterprise principles or to encourage the shifting of some activities to the private sector when dealing with nutrition, health and family planning programs. In Bolivia, a primary health care project allowed a PVO to provide low-cost health care. In Indonesia, an indigenous PVO helped train local private sector firms in the fields of health, training, and research. Similarly, two additional projects in Indonesia supported family planning and extension services through PVOs and private sector firms. The marketing of family planning devices was shifted to private firms in an effort to increase the private sector's role in family planning.

A.I.D.'s assistance to the private sector also involves policy dialogue and technical assistance to influence change in host government policies and lead to a more favorable climate for private enterprise development. Policy dialogue is designed to address a broad number of issues. Foremost among them is encouraging host governments to rely on free market mechanisms with minimal government intervention in the economy. Much policy dialogue has been conducted to influence host government attitudes on market barriers and other economic controls involving, for example, wages, prices, and rents. This type of aid is also devoted, for example, to increasing the private sector's access to foreign exchange, removing investment and export barriers, and financing policy analyses that examine the constraints to private sector growth. This type of assistance plays an important role in long-term growth and development in the private sector of host countries.

In agricultural development, where many aid-recipient countries are lagging, there has been a significant effort to assure market-responsive prices as a means of providing greater incentives for increased agricultural production. In Indonesia, for example, A.I.D. provided technical assistance and training to the Ministry of Agriculture. This project emphasized a shift to free market pricing, transfer of the marketing system from the government to the private sector, and more efficient methods of transferring technology from the public sector to private sector farmers.

CONTINUING ROLE

SENATOR KASTEN: You say that 48% of A.I.D. spending is on private sector development and that the commitment to "energize the private sector" is now Agency-wide. Given that the bureaus, the missions, and the P.V.O.s are receiving direct or indirect assistance to this end, has your role in this effort diminished? What is your function now?

MRS. PEDEN: The private enterprise initiative is spreading rapidly through the agency in large part because the Bureau for Private Enterprise is providing the focal point necessary to foster new ideas. The rising demand from A.I.D. missions for services is a response to the Bureau's successful effort to create a pool of expertise with our own staff and specialists acquired through contracts. The efficiencies provided by the Bureau's core group of experts would be lost if the Bureau were not kept in place to continue to move the Agency toward finding private sector solutions to development problems at this time.

TRAINING OF WOMEN

SENATOR KASTEN: Recent figures from the United Nations Development Program indicate that women cultivate 80% of Africa's food. It is also estimated that better than 77% of women in Africa are illiterate. What kind of projects in agribusiness or agricultural technology are tailored to serve the great potential of this large but largely illiterate group? How do you train people who may not be able to read?

MRS. PEDEN: The Bureau for Private Enterprise (PRE) centrally funded grant projects are intended primarily to provide technical assistance and support to A.I.D. missions, and are provided in direct response to mission requests and needs. Investment loans made through the Revolving Loan Fund are intended to enlarge access to previously limited, correctly priced and supervised credit to small- and medium-sized private enterprises. One of the criteria considered in the review and approval process for Revolving Fund loans is the encouragement of participation by women. Investment loans have been provided to Women's World Banking and ACCION, of which women entrepreneurs have been primary beneficiaries. Women, traditionally, have been heavily involved in the operations of small posho (cereal) mills in Kenya. Recent investigations have shown that owners of posho mills account for a number of the sub-borrowers under PRE's investment loan to the Kenya Commercial Bank.

HOUSING AND URBAN PROGRAMS

HOUSING

SENATOR KASTEN: Since the Administration has expressed a desire to curtail guaranty programs in general, and yours have been curtailed, what kinds of creative financing are you finding to support your shelter and urban efforts?

MR. KIMM: In FY 1988 the Housing Guaranty program will be operating at a somewhat reduced level of $100 million. At this level A.I.D. will be able to support adequately its shelter and urban efforts for FY 1988.

LOAN REFLOWS

SENATOR KASTEN: Congressman Feighan of Ohio has proposed legislation which would earmark a certain percentage of loan reflows for credit programs -- presumably to include housing credit programs. What is your view of that legislation as it affects such credit programs?

MR. KIMM: We generally support Congressman Feighan's interest in small and medium-sized enterprise. However, we continue to look to the Housing Guaranty program for the bulk of the Agency resources for the shelter and urban sector.

SUBCOMMITTEE RECESS

Senator INOUYE. The subcommittee will now stand in recess until 10 a.m., Thursday, March 26. At that time, we will receive testimony in support of the President's request for migration and refugee assistance, international narcotics control, and the counter-terrorism program.

Thank you, very much.

[Whereupon, at 12 noon, Tuesday, March 24, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, March 26.]

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, MARCH 26, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:01 a.m., in room S–126, the Capitol, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Lautenberg, Harkin, Kasten, D'Amato and Nickles.

DEPARTMENT OF STATE

BUREAU FOR REFUGEE PROGRAMS

STATEMENT OF AMBASSADOR JONATHAN MOORE, U.S. COORDINATOR FOR REFUGEE PROGRAMS, DEPARTMENT OF STATE

ACCOMPANIED BY:

ROBERT L. FUNSETH, SENIOR DEPUTY ASSISTANT SECRETARY

ROZANNE OLIVER, DIRECTOR, PROGRAM BUDGET

OPENING STATEMENT OF SENATOR INOUYE

Senator INOUYE. The subcommittee will please come to order. This morning we continue our examination of the President's request for fiscal year 1988 funding of foreign assistance, and today, we will hear testimony in support of funding requests for several programs and activities funded under Title II, Bilateral Economic Assistance.

Ambassador Jonathan Moore, U.S. Coordinator for Refugee Affairs and Director of the Department of State's Bureau for Refugee Programs, will present the administration's request for Migration and Refugee Assistance as well as its request for replenishment of the U.S. Emergency Refugee Assistance Fund.

Mr. L. Paul Bremer, Ambassador-at-Large for Counter-terrorism will speak on behalf of the President's request for anti-terrorism assistance and Mrs. Deborah Szekely, the President of the Inter-American Foundation, will present the Foundation's request for fiscal year 1988 funding.

Miss Ann Wrobleski, Assistant Secretary of State for the Bureau for International Narcotic Matters was invited to testify on the request for international narcotics control assistance. For reasons unknown to the subcommittee, she apparently assigned a higher priority to foreign travel today and will not be with us. We shall hold our questions on International Narcotics Control Assistance as well as others about the management of the Narcotics Assistance Bureau and ask them when the Secretary of State appears before the subcommittee.

The subcommittee welcomes each of you. Your full statements have been received and will be placed in the record in full. I will ask you to briefly summarize them in order in the opening remarks. Ambassador Moore.

Before proceeding, with your testimony, Mr. Ambassador, I would like to recognize my dear friend, the ranking member, Senator Kasten.

Senator KASTEN. Mr. Chairman, thank you. I join you in welcoming the Ambassador, and I look forward to his testimony.

Senator INOUYE. Ambassador, please proceed. We have received your full statement, and without objection, it will be made a part of the record. You may proceed.

SUMMARY STATEMENT

Ambassador MOORE. Thank you very much, Mr. Chairman. With your permission, I shall proceed with a summary version of that full statement.

I am pleased to appear before you today to present the Department of State's Migration and Refugee Assistance Appropriation request for fiscal year 1988. Accompanying me are Robert L. Funseth, Senior Deputy Assistant Secretary and Rozanne Oliver, Director of Program Budget.

Within the past few weeks, the news media has called the attention of the American public to the continuing struggles of Afghan refugees in Pakistan; Palestinian refugees in Lebanon; Mozambicans in Malawi and Indochinese refugees in Southeast Asia, to name a few of many examples. It is estimated that the present number of refugees who have fled strife and persecution in their home countries totals over ten million people around the globe.

The United States is committed to continuing its role as the acknowledged world leader in assisting these victims of oppression. That commitment is demonstrated by our financial support to multilateral and bilateral refugee relief programs.

We also maintain our commitment to resettle to the United States, refugees who have no recourse other than Third Country resettlement and especially those who have close ties to the United States.

Moreover, in addition to addressing these humanitarian objectives, our support for refugees assists our friends abroad who are heavily impacted economically and socially by hosting needy refugee populations.

In preparing this request, Mr. Chairman, we have been mindful of the need for the Federal Government to reduce significantly its overall spending. At the same time, we recognize the critical needs of these refugees who live on the margin, their needs for food, shelter, fresh water, medical attention and protection, and their need for resettlement to this country where that is the best solution.

We have tried to assess these needs carefully in light of what we actually can do in response to them. Accordingly, we are presenting the Migration and Refugee Assistance request for fiscal year 1988 totaling $314.5 million, which is a decrease of $32.4 million, or about 10 percent, from the fiscal year 1987 appropriated amount.

The Migration and Refugee Affairs account is divided into four main program areas: One, Refugee Admissions to the United States; two, Refugee Assistance Overseas; 3, other Assistance Activities; and 4, Administrative Expenses.

REFUGEE ADMISSIONS TO UNITED STATES

For Refugee Admissions to the United States, we are requesting $94.5 million, about 30 percent of our total request. This figure is based on a preliminary estimate of an admissions level of approximately 55,000 refugees. The President, as required by the Refugee Act of 1980, will consult with the Congress and set the actual admissions ceiling shortly before fiscal year 1988 begins.

The specific regional ceilings established in the consultations process, including that for Southeast Asia, will be based on an assessment of the worldwide refugee situations at that time. The funds requested will cover the operating expenses of programs administered by the Department that support our overall admissions program: processing, transportation loans, language training and orientation and initial reception and placement.

REFUGEE ASSISTANCE PROGRAMS OVERSEAS

The request for Refugee Assistance programs overseas totals $192.7 million, about 61 percent of the total request. This level of funding will provide support to the core program costs of the international organizations and other agencies that carry out relief and resettlement programs overseas. It also is based on our best assessment of need, available resources and the U.S. fair share.

The third category, Other Assistance, is budgeted at $19.2 million in our fiscal year 1988 request. The largest part of this request is a $10 million contribution to the United Israel Appeal for its program of assistance to refugees resettling in Israel. The remainder includes funding of the administrative and operational budgets of the Inter-governmental Committee for Migration and the U.S. contribution to the ordinary budget of ECRC.

And finally, $8 million, only 3 percent of our total request, is estimated for the administrative expenses of the Department of State Bureau for Refugee Programs. These funds enable us to design and manage the cited refugee admissions and assistance programs, but also, working with other offices in the State Department and elsewhere in the U.S. government, to encourage broader and longer-range bilateral and multilateral solutions to refugee problems.

The administration's budget request represents our current best estimate of essential requirements. I believe that examination of our presentation will show that the amounts requested in every category are modest yet fully needed to support our humanitarian objectives and foreign policy goals. We need resources sufficient not only to maintain our own commitment, but also to encourage others in the international community, both first asylum and donor countries, to continue to do their part.

Thank you, Mr. Chairman.

[The statement of Ambassador at Large Jonathan Moore follows:]

PREPARED STATEMENT OF AMBASSADOR JONATHAN MOORE

U.S COORDINATOR FOR REFUGEE AFFAIRS AND

DIRECTOR

BUREAU FOR REFUGEE PROGRAMS,

DEPARTMENT OF STATE

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to present the Department of State's Migration and Refugee Assistance appropriation request for FY 1988. Accompanying me are Robert L. Funseth, Senior Deputy Assistant Secretary, and Rozanne Oliver, Director of Program Budget.

Mr. Chairman, the world refugee situation today continues to be one of great need. Within the past few weeks, the news media has called the attention of the American public to the continuing struggles of Afghan refugees in Pakistan, Palestinian refugees in Lebanon, Mozambicans in Malawi, and Indochinese refugees in Southeast Asia -- to name a few of many examples. It is estimated that the present number of refugees who have fled strife and persecution in their home countries totals over ten million people around the globe. Many more have crossed international boundaries fleeing famine, drought, and disease.

The United States is committed to continuing its role as the acknowledged world leader in assisting these victims of oppression. That commitment is demonstrated by our financial support to multilateral and bilateral refugee relief programs. We also maintain our commitment to resettle to the United States refugees who have no recourse other than third country resettlement, especially those who have close ties to the United States. Moreover, in addition to addressing these humanitarian objectives, our support for refugees assists our friends abroad who are heavily impacted economically and socially by hosting needy refugee populations.

In preparing this request, we have been ever mindful of the need for the federal government to reduce significantly its overall spending. At the same time, we recognize the critical needs of these refugees who live on the margin -- their needs for food, shelter, fresh water, medical attention and protection, and their need for resettlement to this country where that is the best solution. We have tried to assess these needs carefully in light of what we actually can do in response to them, as the world leader in refugee affairs, committed to a continuing national bipartisan policy of providing humanitarian assistance to these destitute and in many cases desperate people.

Accordingly, we are presenting the Migration and Refugee Assistance (MRA) request for FY 1988 totalling $314.5 million, which is a decrease of $32.4 million -- or about 10 percent -- from the FY 1987 appropriated amount.

The Migration and Refugee Affairs account is divided into four main program areas: (1) Refugee Admissions to the United States, (2) Refugee Assistance overseas, (3) Other Assistance activities, and (4) Administrative Expenses.

For Refugee Admissions to the United States, we are requesting $94.5 million, about 30 percent of our total request. This figure is based on a preliminary estimate of an admissions level of approximately 55,000 refugees. The President, as required by the Refugee Act of 1980, will consult with the Congress and set the actual admissions ceiling (also referred to as the consultation level) shortly before FY 1988 begins. The specific regional ceilings established in the consultations process, including that for Southeast Asia, will be based on an assessment of the worldwide refugee situations at that time. The funds requested will cover the operating expenses of programs administered by the Department that support our overall admissions program: processing, transportation loans, language training and orientation, and initial reception and placement.

The request for Refugee Assistance programs overseas totals $192.7 million, about 61 percent of the total request. This level of funding will provide support to the core program costs of the international organizations and other agencies that carry out relief and resettlement programs overseas. It also is based on our best assessment of need, available resources, and the U.S. fair share.

Of this amount for overseas assistance, $28 million is requested for assistance to Indochinese refugees in Southeast Asia. These funds primarily will support the work of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Border Relief Operation (UNBRO), the International Committee of the Red Cross (ICRC), and other agencies that provide care and maintenance services to refugees in first asylum and the 267,000 Cambodian displaced persons who remain in camps along the Thai-Cambodian border. Besides these programs, we estimate $1 million for programs to combat piracy in the Gulf of Thailand and to support rescue-at-sea, and an additional $400,000 for the administrative expenses of the UNHCR Orderly Departure Program.

The overseas assistance request also includes $60 million for assistance programs in Africa. This amount will be used to support the core programs for material assistance, medical and educational aid, and protection activities of the UNHCR and the ICRC in Africa, as well as special projects such as refugee scholarships and self-help activities. The immense need particularly to help the refugees in the Horn of Africa and Southern Africa, areas from which I have just returned from a visit to monitor the situation first-hand, is well-known to us all.

The request for Near East and South Asia assistance programs totals $89.2 million. Of this, $67 million is budgeted for the provision of basic health and education programs for Palestinian refugees through the U.S. contribution to the United Nations Relief and Works Agency for Palestinian refugees in the Near East (UNRWA). The other $22.2 million comprises U.S. contributions to the core assistance programs for the world's largest single refugee population, the Afghans in Pakistan, administered by the UNHCR and the ICRC.

The final part of the overseas assistance category includes $15.5 million for relief assistance programs and limited repatriation activities in Latin America administered by the UNHCR, the ICRC, and other agencies. This is in response to the continued high level of refugee needs in this region.

The third category, Other Assistance, is budgeted at $19.2 million in our FY 1988 request. The largest part of this request is a $10 million contribution to the United Israel Appeal for its program of assistance to refugees resettling in Israel. The remainder includes funding of the administrative and operational budgets of the Intergovernmental Committee for Migration (ICM), and the U.S. contribution to the ordinary (headquarters and non-regional) budget of ICRC.

And finally, $8 million, only 3 percent of our total request, is estimated for the Administrative Expenses of the Department of State Bureau for Refugee Programs. These funds enable us to design and manage the cited refugee admissions and assistance programs but also, working with other offices in the State Department and elsewhere in the U.S. Government, to encourage broader and longer-range bilateral and multilateral solutions to refugee problems.

The Administration's budget request is carefully balanced, and represents our current best estimate of essential requirements. I believe that examination of our presentation will show that the amounts requested in every category are modest, yet fully needed to support our humanitarian objectives and foreign policy goals. We need resources sufficient not only to maintain our own commitment but also to encourage others in the international community -- both first asylum and donor countries -- to continue to do their part. I urge the members of this committee to continue to support the vital humanitarian effort of the United States in refugee affairs through your action on this request.

In closing, Mr. Chairman, I would like to express my personal appreciation and the appreciation of the Department of State for the support you and other members of this Committee have shown toward refugee affairs. The needs are great, but I am confident that by working together we will be able to continue to ensure necessary American support for these programs which lie at the heart of our moral values and democratic ideals.

INDOCHINESE PIPELINE

Senator INOUYE. I thank you very much, Mr. Ambassador.

Mr. Ambassador, as you are aware, in reviewing the program of your assistance programs, we have not only considered the number of refugees admitted into the United States, but the number of those being processed at centers, and and I believe you referred to them as year-to-year carry-over.

We have been advised that this carry-over number is an indicator of our Nation's commitment to future processing and admission of refugees. I recall your predecessor advising us that the Bureau would signal the continuing commitment of our Government by maintaining a steady stream of refugees at these processing centers. I note that last year it was 10,000 less than the year before. Does this indicate anything about our commitment, or why was the number of carry-overs reduced by 10,000?

Ambassador MOORE. It does not indicate a lessening of our commitment, Mr. Chairman. It indicates the difficulty in managing a very complex program which involves a continuing pipeline, and I would like to take a moment to put my answer to your question, which is an extremely central and important question, in context.

Let me just point out at the outset, if I may, that we had approximately 12,0O0 in the pipeline at the beginning of the current fiscal year, and that was felt to be considerably less than what would be necessary to meet the ceiling that was projected for the current fiscal year, that of 32,000.

In the period of time since the first of October, with the cooperation of the INS, we have struggled mightily to try and catch up, overcoming the procedural pipeline disadvantage of that relatively low number of carry-overs. There were some who said that with that relatively low number of carry-overs, it would be virtually impossible to meet the target, the ceiling of 32,000.

At this point, Mr. Chairman, without being absolutely certain, I believe we are going to come extremely close, if not meet it right on the button. So I am making the point at the outset that by strong management and strong cooperation from the INS, we can overcome momentary lower levels in that carry-over figure.

But rather than dealing exclusively in exact numbers for given categories, let me approach it in terms of the process and policy. There are a lot of complex variables which need to be clarified and will not be clarified until we get further through the fiscal 1987 year. One is how many refugees are already in place in Southeast Asia or in Thailand, which is where the problem is most intense, and there are about 130,000 there now.

Another is, how many new arrivals are expected? We expect about 10,000 in Thailand. Another variable is, how many people to be admitted to the United States from Southeast Asia can be projected under current processing decisions. If we looked at that, we would see that the resulting pipeline, as it was last year, without getting into exact numbers, is less than we would like it to be in order to come close to the ceiling.

DECISIONS ON INDOCHINESE PROCESSING

That comes back to the question of managing the process, and it gets to the next variable, which is, what new decisions on processing could be made which would further advance the number of admissions to the projected ceiling.

Let me give some examples of that. We have already started to process Lowland Lao in the P-5 category. We must consider whether we want to bring more Lowland Lao in than we have already begun to bring in this year.

We do have under consideration—and there are severe drawbacks to this, but we have got to give it further study—whether to take Vietnamese and Lowland Lao in the P-6 category. We have already begun to process refugees in the P-6 category at Khao I Dang. The question of processing ration card holders in Khao I Dang has also been proposed as both allowing deserving people to come to the United States and also as a way of taking more people off of the hands of the Thai.

Our present position is that we must stick to a humanitarian role in processing refugees. And then, Mr. Chairman, in looking at refugee populations to make new processing decisions which might bring more people out of Thailand back here, then, there is the very controversial question of the denied Khmer: Whether or not we will review the denied Khmer who are in Khao I Dang who have already been reviewed twice by the INS. Last spring, the INS and the State Department took the preliminary position, at least, that a further review should not take place.

The Ray Commission, on which I served, had made a recommendation to the Secretary of State that some kind of further review of the so-called denied Khmer population be undertaken. It is my job, it has fallen on me to make recommendations on that question.

I have not reached recommendations yet. I do not have the authority to order this. I can't simply decide and then have my decision on the denied Khmer carried out. I must come up with a concept, with a plan which is deserving of the support of the other people in the government, including the INS, who would carry it out.

I have not yet been able to come up with such a plan. I take it very seriously, and I am going to be working on it harder, and I will not just leave it alone. I will come back to it.

Just one more point in finishing up my answer to the question. Other variables include the INS' manpower availability; the INS' approval rates, and the access which the government of Thailand gives us to refugees and displaced persons whom we want to process.

What I have tried to indicate is that on the question of carry-overs and the total number of admissions we get at the end of a fiscal year, the key figure is the admissions. The carry-over is a procedural matter; it is very important, but it is not ultimately what we care about.

It is a process which does not have blacks and whites and rights and wrongs in it. It should not have rigidity which cannot be overcome. It is a very complex, difficult process which is being managed as well as we can with the Thai and with the INS. We are worried about the carry-overs, and we are working very hard on it. We welcome the attention of this committee and its members to this problem, and we are going to continue to give it our most resourceful attention, Mr. Chairman.

INS STAFFING FOR INDOCHINESE PROCESSING

Senator INOUYE. Obviously, from your statement, the INS is the most important variable. Are you satisfied that they are providing the necessary personnel and resources to assist you in your endeavors, or are they sufficiently staffed and trained?

Ambassador MOORE. I believe that the INS is making serious efforts to produce the manpower that is necessary to do the processing which we have projected and which we believe to be in U.S. national interest. I am not really competent to speak about that in detail. I think they, as other agencies in the government, have pressure on their manpower resources and on their budgets.

They also have a mammoth job in designing and administering the new immigration bill. We are in very close contact with the INS. We know that they take this question very seriously, and they have indicated that a shortfall in manpower requirements to process these legitimate refugees within the President's ceiling in the national interests of the United States will not be an acceptable excuse. We are going to take them at their word, and we are going to work with them to provide whatever assistance we can to get that manpower produced.

Senator INOUYE. I am also convinced that they are doing their best, but do they have the numbers that they need right now?

Mr. MOORE. There are some stresses. There are some, at least temporary—we hope not more than that—limitations in the number of people that they are producing to do refugee processing. But we had some problems in that same respect last fall and earlier in the winter which INS has now met, and we expect that with their own deliberateness and commitment to this, egged on and consulted with, if you will, by us, they will come up with what is necessary.

It is clearly a significant issue and it is clearly a problem that has got to be watched and worked on hard, Mr. Chairman.

FORCED REPATRIATIONS INTO LAOS

Senator INOUYE. On March 19, a few days ago, we were told that Thai soldiers forcefully repatriated 38 Hmong tribesmen who were living under U.N. protection in a camp on the border of Laos, and they were pushed back into Laos, where their lives were clearly endangered.

As you are aware, the subcommittee has been rather critical of past failures by the U.S. Embassy in Thailand to fully exert itself in the protection of refugees in that country.

We have been advised that last week, the Department of State protested the action of the Thai military. Do you regard this as a sufficient response? Do you know that our protection officer from the embassy visited the camp involved?

Mr. MOORE. There are a number of locations in Northwest Thailand which are involved in this continuing problem of Highland Lao not being allowed to participate in the so-called screening process and which are involved in the possibility, the danger of Highland Lao being pushed back or being repatriated to Laos.

We have been riding this issue hard with our own embassy and with our office in Chiang Mai and with people who have flown out there from the United States since the latter part of last year, Mr. Chairman. So to answer the last point or last question first, some of these areas are rather remote and hard to get to, but U.S. personnel have been out there, and we have been working on it in Vientiane, and with the Thai both here in Washington and in Bangkok.

This is a very serious problem. The Thai have difficulties, because they have had a policy of not taking into Thailand people from Laos who have been actively participating, in the perception of the Thai, in the resistance going on in Laos against the government in Vientiane. And it is alleged by the Thai, it is believed by the Thai, that some of these people concerned have been participating in those resistance activities.

Again, we have a very complicated situation that has a lot of uncertainties in it. Again, we are dealing with a situation where the Thai have the authority to determine their own security interests and to pursue their own national sovereignty within their own borders. We work as closely with them as we know how and with the UNHCR, who works as closely with them as they know how in the assurance for these peoples of their humanitarian treatment and in the non-abuse of their human rights. This will not be a problem that will go away, and we must continue to press hard on it.

I am confident that the Thai understand our views on this and understand the seriousness with which we take this kind of a problem, and I am confident that we will continue to work very, very closely together to resolve it. I want to point out one other thing, Mr. Chairman, which is sometimes unhappily forgotten in discussions of this sort when we become frustrated with our perception of the behavior of a foreign country, when it comes to the United States supporting the humanitarian interests of refugee populations.

The Thai have been wrestling with huge populations of refugees and displaced persons who have come into their country over the last 10 years and remain in their country today. They have behaved admirably. They have behaved resourcefully. They have worked hard with us, with other members of the international community and with the UNHCR.

They have problems which relate to worries about how long the long-staying population, that does not seem to be taken off as fast by the international community for third country resettlement, is going to actually remain. They have the problems of: Would programs for humanitarian assistance to refugees create a magnet which tends to draw in more migration from the Indochinese states? They have the problem of maintaining security on their border. They have the problem of negative impact on local populations of these refugee peoples who are getting special assistance that the local populations are not getting in the same measure.

I am not making excuses for the Government of Thailand, Mr. Chairman. I am just saying that they have a huge problem here which they have been managing with considerable fidelity for a number of years, and what we are urging them to do is to stay cool and stay committed and continue to manage it as a long-term problem, not one that is going to go away overnight, and that we will work with them and we will remain committed to them to carry out this task and to continue to pursue it.

REPORTS OF EXTORTION ON THE THAI BORDER

Senator INOUYE. One final question before I turn it over to Senator Kasten. What about reports we have been receiving on this thriving business of extortion——

Mr. MOORE. Mr. Chairman, would this be with regard to the——

Senator INOUYE.—by military and refugees along the border?

Mr. MOORE. Along the Thai-Cambodian border is the Khmer population of displaced persons. There is a major security problem with the displaced persons population of Site 2 which totals about 140,000. The fact that they are displaced persons and not regarded as refugees makes it more difficult for the international community and the U.S. Government to afford the same assistance in protecting and in processing those people.

Many of the people who are in those camps are participating to one extent or another in the resistance movement in Cambodia. The Thai Government basically leaves the administration of these camps up to the various resistance groups or factions. The Thai maintain overall control, and then they allow members of the international community, particularly UNBRO, the U.N. Border Relief Operation, along with the International Committee of the Red Cross, to play very major supporting roles.

Again, we have got a complicated situation for which the U.S. Government is not responsible and not able to run, and a mixture of authorities are in charge. There are grave security problems among these populations, which is one of the reasons why, when the Thai announced that they were going to move people from the Khao I Dang camp over to the border areas, we made very clear to everyone concerned, the UNHCR and the Thai Government, that we wanted the kind of protection by the UNHCR, and by virtue of the refugee status that these people have in Khao I Dang, to continue when they got to the border. Because the security problems along the border were already serious and might be compounded by sending an additional population out there.

One of the main reasons for the insecurity, for the violence, for the crime, relates to the black market. And here, you may get the equivalent, I don't know specifically about extortion, but bribery and very unwholesome practices which are hard on the people who are there with regard to economic matters, but also hard on them with regard to crime and security.

The Thai have recently agreed to establish a free market, which is one way of getting at the question of the crime which flows from the black market activities and one way of dealing with the situation that you mentioned.

Senator INOUYE. Thank you very much.

Senator Kasten?

FATE OF THOSE PUSHED BACK

Senator KASTEN. Mr. Ambassador, what was the fate of the 38 refugees who were pushed back across the border? There was speculation that some of them had been killed. What has happened to them?

Mr. MOORE. I am not sure, Senator. This information is very difficult to get. We are trying to get it. We are worried about what has happened to them; that is why we made our views known to the Thai before this happened and after it happened as strongly, in as strong terms as we were able.

It is a very tragic and awful situation, and we are still working to get as much information as we can.

Senator KASTEN. So you don't know.

Mr. MOORE. I don't know for sure.

Senator KASTEN. But you cannot deny that they have been killed. You could not deny that they have been imprisoned. It is pretty clear that if they have not been killed, their lives are in jeopardy; is that a fair analysis?

Mr. MOORE. It is clear to me that they are in jeopardy.

Senator KASTEN. You just made a kind of an excuse for them saying life has been tough, and we all understand what they have been doing, but it seems to me that there is absolutely no excuse or no justification for the Thai Government's action under any possible interpretation of any of the rules or laws having to do with refugees or refugee populations in that area or anywhere else in the world.

Mr. MOORE. The humanitarian principles——

Senator KASTEN. I mean, they are just plain wrong in what they did.

Mr. MOORE. The humanitarian principles which we share, Senator, and to which you have referred must be honored and must be pursued, and in innumerable cases over the past years, the Thai have honored those same principles. We are very concerned about the situation you are talking about.

We have made our concern known as powerfully as we know how, and we are continuing to do so. But the mix of refugees and insurgencies, Senator, is an awesome and a horrible one, and I was not on that border. I don't know the circumstances, and so I can't comment on details any further than I have. I am most sympathetic and responsive to your attitude, and I share it.

FURTHER MEASURES TO PROTEST PUSHBACKS

Senator KASTEN. You said that we protested. I don't know what the strongest way for us to express our displeasure is. I don't know if it is cutting off military or other kinds of assistance, if it is some way of altering diplomatic relationship between the two countries. If this is the beginning of a pattern and they say, "The way we are going to treat the West is to start to let these things happen, and get it on the front page of the paper, and if it is on the front page of the papers and you get these questions, then somehow things will happen beyond our borders and we are going to get help, et cetera."

The actions of that government were absolutely wrong, and our country cannot in any way make excuses for those actions, in my view. I don't know what we can do on this subcommittee, but we are not going to make excuses the way you did in a very long and thoughtful answer to Senator Inouye's question. These kinds of activities cannot go on.

Senator INOUYE. If my friend will yield at that point, I think it brings up a very valid concern of ours. As you know, in this current fiscal year, the Thai will be receiving in excess of $73 million from the United States in development assistance, economic support fund, military assistance, military education. We have cultural exchange, educational exchange programs. Each year, the Thai Air Force pilots participate with ours in exercises to test joint capabilities. We provide substantial military assistance and grants so they can obtain some of the most sophisticated military equipment such as the F–16s, Cobra helicopters, Tow missiles.

These are some of the items that may be in jeopardy because the publicity that these Thai activities have received in the press has been quite overwhelming and, obviously, it reaches us. Surprisingly, to some of us, the interest among our constituents is at a very high level. I would suggest to you a letter of protest; just an expression of concern may not suffice. I would concur with my friend here that something further than that should be demonstrated.

Mr. MOORE. May I make a brief comment, Mr. Chairman?

Senator INOUYE. Please.

Mr. MOORE. I would not presume to tell the subcommittee or the committee or the Congress its business, and I would do everything I could to be credible in telling you that I welcome exactly the kind of attention that you are giving this. It is very useful to the common purposes which we share. My own view is that linking timesets and events to sums of money and thereby reducing the flexibility that we have to deal with situations may involve drawbacks as well as possible advantages, and therefore should be examined very carefully.

I am worried about the patterns which Senator Kasten has mentioned. I have been worried about them long before these events that you just mentioned, and I think that in various ways, our government can continue to make our views known to the Thai. I do not believe in this case, Senator, that what happened to the people whom you are mentioning was done as a deliberate matter to draw our attention and to put pressure on us to behave in a certain way with regard to refugee policy. I just don't believe that is so.

THAI CONCERN ABOUT REFUGEE RESETTLEMENT

There are other decisions which the Thai have taken and which they may be pursuing which are designed to show us that they feel that we need to take more of their refugee population off their hands and resettle in the United States and other countries. These other actions and policies undertaken by the Thai are also designs or ways for them to manage a terrible problem which they have as a less developed country.

I do not want to be interpreted as making excuses for the Thai behavior in this instance, and I can tell you, Senator, that the Thai do not believe I have been making any excuses on their behalf.

Senator KASTEN. Someone has made a decision here, the government of Thailand is making a decision that the way that they can reach, and I don't think it is any secret—and we might be more comfortable talking about this in a different atmosphere—but they are in the process of making a decision, one way of solving a very difficult problem they have, and that is for other countries, particularly in the western world, they have got to somehow increase pressure on developed countries, on western countries.

One of the ways, evidently, they have decided to do it, is to start with these kinds of actions. What they, I believe, have got to recognize is that these kinds of actions not only are wrong, I mean, they are wrong morally; they are wrong in a humanitarian sense, and they are against the rules and the laws and traditions of refugee population work. But it is also going to be wrong for them, whether it is the military aid or the economic aid that Thailand isn't going to win by these kinds of actions, if that is what it thinks it is going to do.

U.S. OFFICIALS MONITORING PUSHBACKS

In fact, the result is going to be the opposite and could mean some problems for them in terms of relations with us. In the process of doing this, I am told that we had our choice of sending a consular official or there would have been a decision made at the time that we found out this had happened, a consular official or a Bangkok protection officer.

A Bangkok protection officer evidently was not asked to go. A consular official was asked to go up into that part of the country. Why was a Bangkok protection officer not sent to the attacked camp?

Mr. MOORE. I don't know the facts of that matter, Senator, but I can tell you that it might have been better to send a consular officer than a protection officer. I don't know the individual officers or the particular mission you have in mind.

But I want to say before we go further that the statement you just made immediately prior to raising the question of "who went where when" I completely subscribe to.

Senator INOUYE. We have got a vote.

Senator KASTEN. Mr. Chairman, I have a couple of other questions that I would like to submit for the record, and I thank you very much. I think we are on the same track here. We just have to make sure that the rest of the world understands this.

Mr. MOORE. I agree with that, and I really welcome the interest, the commitment, even the passion of this committee on this question. We need it; it is useful to us. At times we may see a certain complexity or different avenues of working on a problem than you, but I am sure that we are moving in the same direction.

Senator INOUYE. The Senator from New York?

Senator D'AMATO. Mr. Chairman, I recognize our time constraints. I am not going to ask the Ambassador any questions but I would like to submit a statement for the record.

I want to commend you, Mr. Chairman, for turning a portion of the hearings to the international drug-enforcement effort as well as posing with me some important questions to Secretary Wrobleski, and to Secretary Shultz in particular. It is a matter of concern. The certification by the President with respect to those nations that are supposedly cooperating in the battle against international drug-production and distribution should be pursued, and I want to commend you for your dilligence.

Senator INOUYE. Thank you.

The subcommittee will stand in recess for 5 minutes. We have to vote. We will be right back.

(Short recess.)

COUNTER-TERRORISM

STATEMENT OF L. PAUL BREMER, III, AMBASSADOR AT LARGE FOR COUNTER-TERRORISM

ACCOMPANIED BY FRANK M. FULGHAM, DIRECTOR, ANTI-TERRORISM TRAINING ASSISTANCE PROGRAM

Senator INOUYE. We will resume our hearings, and our next witness is Ambassador L. Paul Bremer, III, Ambassador at Large for Counter-Terrorism, Department of State. Mr. Ambassador?

Ambassador BREMER. Yes, sir.

Senator INOUYE. Welcome, sir. As I have indicated, we have received your text, and it will be made a part of the record.

Ambassador BREMER. Thank you. I appreciate the opportunity of being here. With me today is Frank Fulgham, who is the Director of the ATA Program in the Bureau of Diplomatic Security.

With your permission, I will do a very brief oral summary of my longer written statement.

Senator INOUYE. Please proceed at this time.

Ambassador BREMER. The ATA program is an integral part of our country's effort to counter terrorism. It was established in 1983 in consultation with Congress, and the program gives us an effective tool to enhance our cooperation on terrorism with friendly countries facing terrorist threats. The program provides terrorism-related training and assistance to civilian officials of those countries which have acceptable human rights practices and which face actual terrorist threats.

U.S. BENEFITS

While countries join this program to gain help in protecting their own interests as citizens, I think it is important to remember, Mr. Chairman, there are benefits for the United States, as well. Most directly, U.S. citizens in those countries gain a higher level of protection against terrorist acts.

The program also facilitates regular contact between the United States and foreign officials on terrorism, fostering closer cooperation and information exchange. I should add here that this program has been especially important to the work of our regional security officers in the embassies around the world, and they play an important role in defining for us how this program can be carried out protecting American interests.

I think this is important when you recall that over 95 percent of the terrorist incidents which occur against American interests in the world occur overseas. So clearly, if we are going to fight terrorism, we have do it in cooperation with foreign countries.

A staggering proportion of terrorist incidents take place against democratic countries, and it is in our interest, as well, to try to support democracy and the development of democracy, and that is another objective of our ATA program.

I might take a minute to just review where we are in international terrorism, Mr. Chairman. Obviously, it is still a serious problem, but there are some indications that our efforts to bring the force of law to bear on terrorists are beginning to have an effect.

TERRORISM TRENDS

Our preliminary figures for last year, which are indicated here on this chart on the easel, indicate that the total number of terrorist incidents worldwide in 1986 was actually slightly below the number of 1985. I would caution that there have been decreases before from year to year, as you can see, and I don't think we should be complacent, but in any case, that is an interesting figure.

Senator INOUYE. Before proceeding, what do you define as a terrorist incident?

Ambassador BREMER. The definition which we use, I will just read it. It is a rather bureaucratic definition. Terrorism is, "Premeditated, politically motivated violence perpetrated against non-combatant targets by sub-national groups or clandestine state agents, usually intended to influence an audience."

When we talk about international terrorism, which is what this demonstrates, international terrorism is, "Terrorism involving the citizens or territories in more than one country.

Senator INOUYE. The hostages taken in Lebanon were all qualified?

Ambassador BREMER. Yes, sir.

Senator INOUYE. Those who bomb airports, the same?

Ambassador BREMER. It would depend. We would have to look at each incident on an incident-by-incident basis. One of the reasons these are still preliminary is because it takes the analysts a considerable amount of time to do exactly that kind of close analysis.

So those are only preliminary figures, but they do indicate, at least a moderate decrease last year. I have a second chart which shows that following the April 15 raid on Libya, there was a dramatic decline in the number of international terrorist incidents in Western Europe.

Some of this decline undoubtedly can be traced to stepped-up security precautions taken in Europe and to the measures the Europeans took to expel diplomats, particularly Libyan diplomats. But I think there is also little doubt that the attack affected Colonel Qadhafi's capabilities and activities.

We are also encouraged by the fact that the rule of law is being applied to terrorists. In fact, recent public trials in London and Berlin resulted in long sentences for terrorists. Nonetheless, the statistics for 1986 are still sobering. The citizens and property of more than 80 countries were affected by international terrorism last year, and over 2,000 casualties were suffered. Some 25 percent or about 200 of the incidents were directed against American interests last year, while the number of terrorist incidents in Europe declined substantially in 1986.

In this hemisphere, they rose by 31 percent.

Mr. Chairman, two other factors lend a special urgency to the battle against terrorism. One of them is state-supported terrorism, which gives terrorists particular support in their work, and the other is a growing inclination of cooperation between narcotics traffickers and terrorists, particularly in this hemisphere.

COUNTER-TERRORISM STRATEGY

As part of our counter-terrorism strategy, we have devised a five-part agenda to develop in cooperation with foreign countries in countering terrorism, and the anti-terrorism assistance program plays an important role in all five countries. I will just briefly mention them. They are outlined in detail in my written statement.

They are, first: We must identify terrorists and know who they are. This involves intelligence and information gathering. Second, we must locate them and track them down. When terrorists cross an international border, they face the risk of being searched, and that gives us an opportunity to try to bring them to justice.

Third, we must act to apprehend terrorists. Identifying and tracking them is not enough. We must also grab them.

The fourth and fifth steps of this strategy involve prosecuting and then punishing the terrorists.

ATA PROGRAM

The ATA program, as I mentioned, plays a key role in this five-part strategy. During the course of fiscal 1986, there were a number of developments. I would draw your attention to a few of them. Funding was increased from $5 million in fiscal year 1985 to $9.8 million last year.

Eleven new countries began participating in the program, and we now have had more than 4,000 officials from 44 countries take part in our training. The members have before them, as part of my written statement, a chart which demonstrates the growth of the ATA program.

Congress authorized spending of up to 25 percent of total ATA funds to purchase course-related equipment, and we have concentrated on airport security and communications equipment in this regard. We have developed and produced a number of new ATA courses over the year, and I think we have begun to see some specific results from our courses.

Again, I will just cite a few examples. In Latin America, personnel trained by our country resolved a hostage seizure incident without violence where, in that same country, previous such incidents had resulted in deaths. In the Far East, ATA training and equipment were responsible for the greatly improved security of a major international airport.

In a Latin American country, confronted with bombings of foreign embassies, we have trained specialists to train bomb disposal squads and provided training to dogs for explosive detection. During fiscal 1987, we are continuing to expand the program in the number of countries involved, and we are developing better means to assure the effectiveness of our program.

Very briefly, the fiscal year 1988 program priorities are to continue to encourage receiving countries to develop an overall and coordinated plan for counter-terrorism, to train key supervisory, planning and training staffers and to continue adding new countries to our list. The fiscal year 1988 budget request covers the following major activities: Our Phase One executive seminars, $1.1 million, where we bring high-level officials from foreign countries to the United States for a 2-week course to discuss their counter-terrorism needs;

Phase Two, which will run about $162,000, where we send a small team back to that country to develop in detail a tailored counter-terrorism course for them;

Phase Three, which will cost about $7.5 million, which is when the actual training begins. We bring people to this country.

In addition, we have set aside about $800,000 for terrorism-related equipment and $300,000 to support the program staff which runs this program.

PROTECTING U.S. INTERESTS

In conclusion, Mr. Chairman, the anti-terrorism training assistance program, I think, has proven its value in protecting American interests. Not only are there more countries becoming involved in this program, but as our experience grows, we have been able to modify and add courses to meet the needs of the other countries and to take advantage of the experience that we have had.

A broad range of U.S. interests, including better protection of our own diplomats and private citizens overseas, are served by this program. We are particularly appreciative of the continued congressional support for this remarkably effective, and, we think, low-cost economical program.

If the ATA trainings program can prevent just one airliner from being destroyed in flight, the tangible economic benefits will far exceed the multi-year costs of the program, and I don't speak there about trying to put any cost on the human lives which could be saved. There is no question in my mind that the intangible benefits of a reduction in world terrorism are well worth the price and effort.

Thank you, Mr. Chairman.

[The statement of Ambassador at Large L. Paul Bremmer, III follows:]

PREPARED STATEMENT OF L. PAUL BREMER, III

Ambassador at Large for Counter-terrorism
Department of State

Mr. Chairman,

I appreciate having the opportunity to appear before you today to discuss our budget request for the Anti-Terrorism Training Assistance [ATA] Program for Fiscal Year 1988. Appearing with me is Frank M. Fulgham, Director of the ATA Program in the Bureau of Diplomatic Security.

I propose to present an overview of how the U.S. Government views the problem of terrorism, what progress we are making, and how the ATA program supports our efforts. I will then describe our current ATA activities and budget request for Fiscal Year 1988.

SUMMARY

The Anti-Terrorism Training Assistance program is an integral part of this country's effort to counter terrorism. Established in 1983 in consultation with Congress, the ATA program gives us an effective tool to enhance cooperation on terrorism with friendly countries. The program provides terrorism-related training and assistance to civilian officials of these countries which have acceptable human rights practices and face potential or actual terrorist threats.

While countries join this program for various reasons, including a desire to protect their own interests and citizens, there are benefits for the U.S. as well:

- Most directly, U.S. citizens in the participating country, whether there privately or officially, as tourists or residents, gain a higher level of protection against terrorist acts than they would otherwise have.

- The program facilitates regular contact between U.S. officials and those at the policy and working levels of the participating country. These contacts help foster cooperation and sharing of information on terrorism, itself a major priority for our counter-terrorism programs. Over 95% of terrorist attacks against American interests take place abroad. So cooperating with other governments is essential to our effort to combat terrorism.

- When we work with a country to develop a set of procedures for dealing with terrorism, joint activities become more feasible.

- A staggering proportion of terrorist incidents are directed against democratic states, many of them just beginning to emerge or reemerge after periods of authoritarian rule. Strengthening these democracies not only helps natural allies; it serves broader U.S. objectives as well.

It is not surprising that over 80 percent of terrorist acts occur in areas of importance to the liberal democracies.

For terrorism despises most that which democracy cherishes most-- respect for the individual and the rule of law. Terrorism seeks to undermine democratic standards by calling into question the most basic government duty-- the duty of freely elected governments to defend their citizens. And terrorism challenges the foundation on which our security is built, our respect for the rule of law.

INTERNATIONAL TERRORISM: AN OVERVIEW

International terrorism remains a serious problem. But there are some indications that our efforts to bring the force of law to bear on terrorists and to impose burdens on those states which sponsor terrorism are having an effect.

At this time a year ago, it appeared that terrorist incidents in 1986 would grow at the 30 to 40 percent rate we had seen in prior years.

However, following the April 15 U.S. raid on Libya, there was a dramatic decline in the number of international terrorist incidents in Western Europe. Some of this decline can undoubtedly be traced to stepped up security precautions on the continent, and to the measures Europeans took to expell Libyans from their countries. But there is also little doubt that the attack affected Colonel Qadhafi's capacities and activities. Our preliminary figures indicate that the total number of terrorist incidents worldwide in 1986 was slightly below the 782 recorded in 1985.

We have also been encouraged by recent judicial actions in which terrorists have drawn stiff sentences after being convicted in open court for involvement in major attacks . The life sentence recently given Georges Ibrahim Abdallah in Paris, the 45-year sentence given Nezar Hindawi in London and the conviction of two terrorists in Berlin show that the rule of law can be applied to international terrorists in spite of the threats and pressures they can bring to bear.

Nonetheless, the statistics for 1986 are sobering:

- o The citizens and property of over 80 countries were the victims or targets of international terrorist attacks.
- o International terrorism caused over 2,000 casualties in 1986.
- o Some 25 percent-- around 200-- of these attacks targeted American citizens or property.
- o While the number of terrorist incidents in Europe declined substantially in 1986, there was a 26 percent increase in Latin America.

I want to emphasize the narrow margin by which a series of major terrorist massacres were averted last year. Only an alert El Al security guard at Heathrow kept Nezar Hindawi's bomb from blowing up a 747 airliner with almost 400 people aboard, including over 200 American citizens. Superb intelligence coordination between the FBI and the Canadian Royal Mounted Police prevented an Air India jumbo jet from being destroyed in flight. Excellent police work by the

Turks prevented an attack on a wedding reception planned at the U.S. Officers' Club in Ankara. Good work by the French prevented a slaughter at the visa line at the U.S. Embassy in Paris.

These were close calls. A moment's carelessness in London or poor U.S.-Canadian cooperation would have made 1986 the bloodiest year yet for international terrorists.

Mr. Chairman, two other factors lend special urgency to the battle against terrorism. Certain nations have found it useful to use terrorism as a part of their foreign policies. This state-sponsorship gives terrorists important advantages such as false travel documents, safe houses, and training areas. Secondly, we are witnessing a growing inclination toward cooperation between narcotics traffickers and terrorists. This marriage of convenience poses a particular threat in this hemisphere.

COUNTER-TERRORISM STRATEGY

A review of the successes I mentioned indicates that while anti-terrorist measures-- metal detectors, bullet proof glass, armor plate and the like-- are indispensable, we must develop a strategy of counter-terrorism. We cannot protect ourselves solely by "hardening" likely targets. There is not enough brick and mortar, there are not enough guards, metal detectors and vehicle barricades to protect every possible target. Our government must move beyond target defense to measures which will enable us to prevent attacks and punish those who carry them out.

We have therefore devised a five-part strategy of identification, tracking, arrest, prosecution and punishment designed to do just that.

1. Identification of terrorists is the first and perhaps most difficult step.

If we are to prevent attacks, we must know who the terrorists are, their origins, motivations, and goals. Putting together this kind of information is difficult and requires close cooperation with our allies. We have in fact begun such cooperation in major areas with several of our allies. Our government, for example, has been compiling lists of known and suspected terrorists and has been circulating those "lookout" lists to friendly governments in exchange for similar lists from them. This kind of cooperation on intelligence-sharing is absolutely vital to our counter-terrorism efforts.

2. Once identified, terrorists must be located and tracked.

International borders are a weak spot for terrorists and an opportunity for us. Just 2 months ago, Mohammed Hamadei, who is suspected of involvement in the TWA 847 hijacking, was arrested as he attempted to enter Germany through Frankfurt airport. At almost the same time, another Lebanese terrorist was captured by Italian authorities while attempting to smuggle explosives into Milan. We must also combat the fraudulent use of travel documents by terrorists. The USG is working now to make the travel documents we issue more secure, and we are cooperating with other countries to share information about false travel documents.

3. We must act forcefully to apprehend terrorists.

Because terrorists are far more dangerous than ordinary criminals, capturing them requires well coordinated intelligence. Crisis management experts and specially trained forces are also needed. Here too we have developed practical means of cooperation. Through the Anti-Terrorism Training Assistance Program (ATA), we provide training and equipment to nations trying to combat terrorism.

The fourth practical measure is prosecution of captured terrorists, a step not often enough taken.

Prosecuting terrorists in the face of terrorist threats tests political will. Recently, we have been encouraged by the action many countries have taken to prosecute terrorists in spite of these threats.

5. Bringing terrorists to justice-- punishing them-- is the final step in the process of fighting terrorists.

> Merely thwarting them is not enough, for if the guilty know no fear, then the innocent can know no rest.

Happily, the rule of law is asserting itself more and more. We see fewer terrorists released without trial. The Italians last year tried and convicted the Achille Lauro hijackers. In October and November, the British and West

German governments tried and convicted terrorists for the attempted El Al bombing and the actual bombing of the German-Arab Friendship Society in Berlin. Just two weeks ago, the French handed down a life sentence against Georges Ibrahim Abdallah, leader of the Lebanese Armed Revolutionary Faction (LARF) organization, for complicity in the killings of an American and an Israeli diplomat and the attempted killing of an American Consul General in Strasbourg. Other important terrorist trials are coming up in Madrid, Karachi, Ankara, Rome and Vienna.

These prosecutions must continue. There is nothing, no case study, no example, to suggest that there is any permanent advantage in treating terrorists as other than criminals.

This five-step strategy of practical measures is sound and is producing results. The ATA program is a key part of that strategy. Let me explain how.

The ATA Program

The ATA program is divided in three parts. Briefly, these elements are:

- Phase I. High-level officials of the receiving country come to the U.S. for policy discussions on terrorism related issues and briefings on U.S. training facilities.

- Phase II. A small team of U.S. officials travels to the receiving country to help design and develop an assistance program for the specific needs of that country.

- Phase III. The actual training, is conducted in the United States.

CURRENT PROGRAM HIGHLIGHTS

While this basic structure has remained unchanged since the ATA program began, the program saw some changes during the course of Fiscal Year 1986:

- Funding was increased from $5 million in Fiscal Year 1985 tc $9.8 million in Fiscal Year 1986, making it possible for us to expand the program. Eleven new countries began participating in the program. More than 4,000 officials from 44 countries have already participated.

- Congress authorized spending up to 25 percent of total ATA funds to purchase course-related equipment such as airport security and communications equipment. This authority has enabled us to improve the program and help meet the urgent equipment needs of some participating countries.

- We have developed and revised a number of courses, including:
    - Human Rights and Human Relations

- Airport Police Management
- Maritime Security
- Defeating Improvised Explosive Devices

Although the program has continued to evolve, we have begun to see some specfic progress directly attributable to the program:

- o In Latin America, personnel trained by us resolved a hostage seizure without violence. Similar situations had previously resulted in fatal violence.
- o In the Far East, ATA training and equipment were responsible for the greatly improved security of a major international airport.
- o In an Asian country, the ATA-trained dignitary protection unit provided excellent coverage for Secretary Shultz's state visit.
- o In a Mediterranean country, ATA-provided training, "bomb sniffing" dogs, and equipment have been cited as being "critical to the safety of all airport users."
- o In a Latin American country confronted with bombings in the vicinity of embassies, we trained specialists to train bomb disposal squads and provided training and dogs for explosives detection.

During the current fiscal year we are able to continue increasing the number of participating countries at the same funding level. This is possible by the fact that newly participating countries often initially have a number of essential anti-terrorism areas needing immediate attention.

After they receive the initial provision of the highest priority assistance, the additional assistance requirements are met through judicious scheduling as funds are available. We are also developing a better means to assess the effectiveness of the training.

THE FISCAL YEAR 1988 PROGRAM

Based on a coordinated threat and risk analysis by my Office and the State Department Bureau of Diplomatic Security, our Fiscal Year 1988 program priorities are to:

- Continue to encourage the receiving countries to develop an overall coordinated plan for combatting terrorism.
- Train key supervisory, planning and training staffs.
- Continue to increase the number of countries involved in the program.
- Continue special programs to meet the unique needs of certain Latin American countries and key countries in other parts of the world.
- Further develop our evaluation programs to make sure that the programs are as effective as possible.

The Fiscal Year 1988 budget request covers the following program activities:

Executive Seminars [Phase I]: $1,105,000.

These senior level seminars normally involve eight to fifteen officials from separate agencies of the participating government who attend a two week program of meetings in Washington and visits to anti-terrorism training facilities throughout the U.S. The meetings focus very heavily on policy issues. Up to 15 Phase I programs with senior foreign government officials will be conducted in Fiscal Year 1988.

Program Development [Phase II]: $162,000.

Phase II involves the return visit of a small delegation of U.S. officials who work with the U.S. embassy and host government officials to develop a program tailored to the participating county's needs. Up to 15 such visits will be made in Fiscal Year 1988.

Training [Phase III]: $7,473,000.

Actual training begins in Phase III. Courses take place in the United States and are conducted by a variety of organizations including federal, state and local governments, non-profit and professional organizations, and a few private companies. We expect to train some 2,000 participants in Fiscal Year 1988.

Equipment: $800,000.

We anticipate using approximately $800,000 on training-related equipment (although this could change as we refine our assessment of each country's needs) and evaluate our training requirements.

Program Management: $300,000

Program management funds provide for staff travel and transportation, rental of office equipment and supplies. The staff manages and coordinates all phases of the program, including presenting, and explaining the program to eligible countries; developing and coordinating the Phase I Executive Seminars; participating on Phase II visits overseas; and developing and scheduling the training courses throughout the U.S. for participating countries; and conducting follow-up activities.

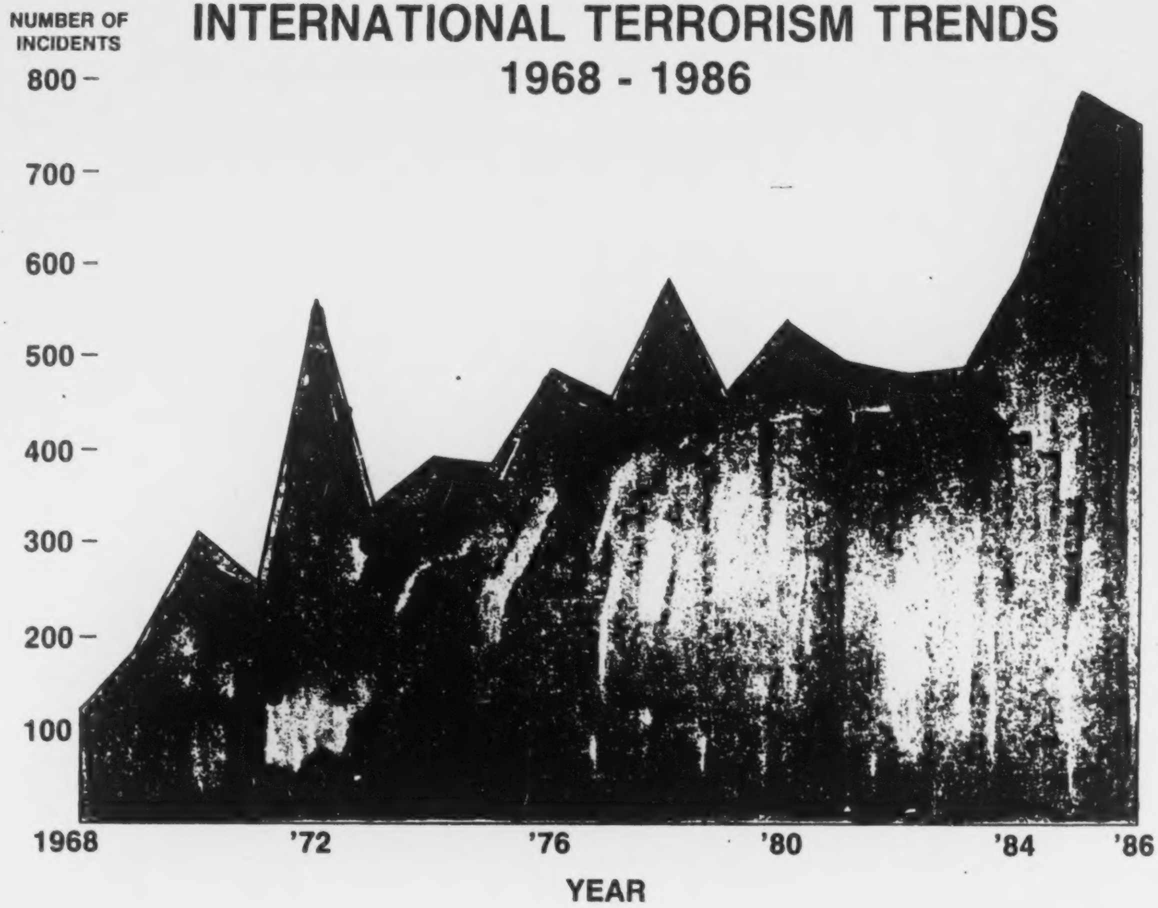
Conclusion

The Anti-Terrorism Training Assistance program has proven its value in protecting American interests. Not only are more countries becoming involved, but, as our experience grows, we have been able to modify and add courses based on our earlier experiences.

Beyond that, the program is very much a "You win, I win" proposition. Countries participate for varying reasons-- including protection of their own citizens and interests. But a broad range of U.S. interests-- including better protection for our own diplomats and private citizens -- are served as well.

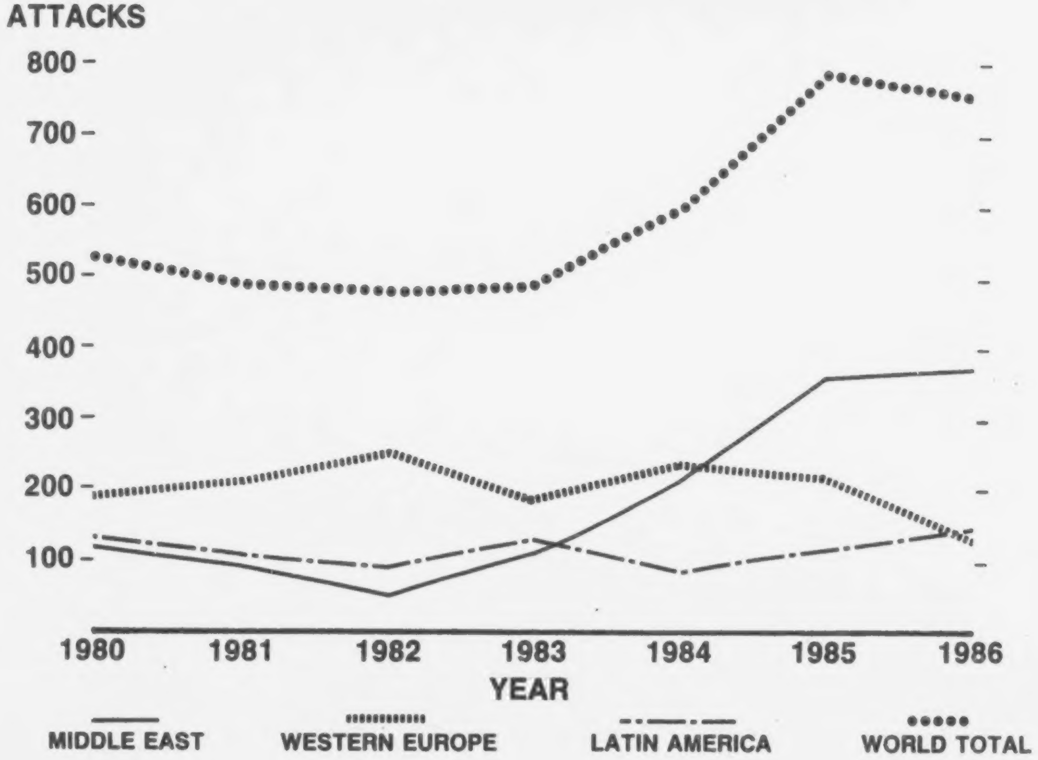
We appreciate the continued congressional support for this remarkably effective and, in our view, economical program. The cost of the world-wide ATA programs is $9.8 million-- roughly a third of what our government pays for a new jet fighter. If the ATA training can prevent just one airliner from being destroyed in flight, the tangible economic benefits will far exceed the multi-year costs of the program. There is of course no meaningful way to put a price tag on the hundreds of lives which would be spared. But there is no question in my mind that the intangible benefits of a reduction in world terrorism are well worth the price and effort.

Thank you for your consideration.

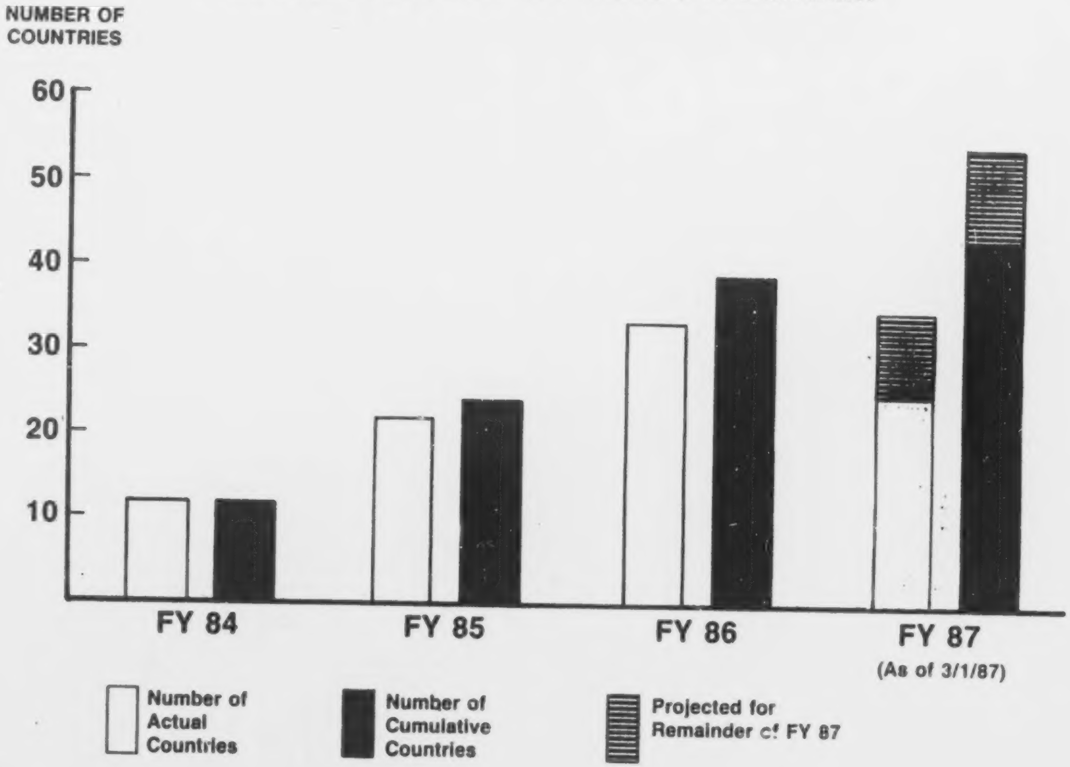


INTERNATIONAL TERRORISM TRENDS
1968 - 1986

INTERNATIONAL TERRORISM
SELECTED TRENDS 1980-1986



NUMBER OF COUNTRIES PARTICIPATING IN ATA PROGRAM



STATE-SUPPORTED TERRORISM

Senator INOUYE. Thank you very much. You mentioned state-supported terrorism. How many nations would qualify under that definition?

Ambassador BREMER. At the present time, Mr. Chairman, we have identified five countries as states which support terrorism: Syria, Libya, Iran, Cuba and South Yemen.

Senator INOUYE. How many Americans have died during the last calendar year, let's say last year, as a result of terrorism?

Ambassador BREMER. Last year, there were twelve Americans killed in international terrorist incidents, and there were 38 killed the year before.

Senator INOUYE. Twelve and 38 the year before?

Ambassador BREMER. Yes, sir.

Senator INOUYE. Your definition, I believe, said that the target or the victims must be non-combatants?

Ambassador BREMER. Yes, sir.

Senator INOUYE. Does that mean that when the IRA strikes at a truckload of soldiers, that's not a terrorist?

Ambassador BREMER. Not according to this definition. I think what is important about the chart and the numbers is not so much the precise number of incidents in the year, but the trend.

The definition which was held through the years shown on that earlier chart has been constant, so what you have, at least, is a constant baseline or measure that you can always argue about the definition and the change of it. I think what is important is that we see a trend across a number of years based on the same definition.

AIRPORT SECURITY

Senator INOUYE. All of your major programs are providing airport security personnel.

Ambassador BREMER. Yes, sir.

Senator INOUYE. That, obviously, would benefit U.S. travelers, but also at the same time great multitudes of foreign travelers that are flown in by the Japanese, the Germans, the Dutch, the French, et cetera. Are these countries also participating in providing airport security equipment?

Ambassador BREMER. A number of countries are involved in various kinds of anti-terrorism assistance in various parts of the world, usually depending on their own historical or national interests.

As we develop our anti-terrorism assistance program and our other terrorism-related assistance—we have other programs in addition to this one—we try to coordinate as well as we can with whatever assistance is going in from third countries like the ones you mentioned so that we are not duplicating.

I think it is fair to say that the United States has the most active and broadest anti-terrorism assistance program of any of those countries.

Senator INOUYE. Does that mean or suggest that the other countries are sitting on their laurels and not doing anything about it?

Ambassador BREMER. No. I didn't mean to suggest that. I think that we have the most active program, but other countries are involved. They tend, in my experience, to put their emphasis more on training or what we would call hostage rescue forces, SWAT teams.

I think I am correct, Frank, in saying we are the most active in supporting things like airport security.

CARLOS' LOCATION

Senator INOUYE. A few years ago we were told that the most notorious terrorist was a person called Carlos. Is he still around?

Ambassador BREMER. Before I answer your question, I have to make a general statement, Mr. Chairman, which is that intelligence, concrete intelligence in the terrorism field, as you well know, is very difficult to get. We believe that Carlos is still alive, and we are not clear on his present whereabouts, but we believe he is still alive.

Senator INOUYE. Who supports Carlos? He must have some support.

Ambassador BREMER. There are reports of support for Carlos from a variety of countries, including some of the countries which are on our terrorist list.

Senator INOUYE. I have a few other questions, but before I get back, Senator Nickles?

ABUL ABBAS

Senator NICKLES. Thank you, Mr. Chairman. Welcome. On that same line of other notorious terrorist incidents, is Abul Abbas who was involved in the Achille Lauro still at large?

Ambassador BREMER. Yes, he is.

Senator NICKLES. Do any other countries besides Italy and the United States have warrants for his arrest?

Ambassador BREMER. I believe only the United States and Italy have warrants for his arrest. We think he is spending most of his time in Iraq at the moment.

Senator NICKLES. Is anything being done to try and capture him?

Ambassador BREMER. Well, we have an international warrant out for his arrest as do the Italians, and that has been made known through the Interpol system which allows putting on to the wires to the police forces which are members of Interpol the names of people for whom you have a warrant. He is on that.

Short of his traveling under his own name and coming into a friendly country which is willing to arrest him, there isn't an awful lot more at the moment that I can think that we can do.

THE HAMADEI CASE

Senator NICKLES. What is the individual's name that is being held in Germany?

Ambassador BREMER. Mohammed Hamadei.

Senator NICKLES. Hamadei. Is he coming to trial? Has that been put off indefinitely? Is he going to be coming to the United States? What is the status of that?

Ambassador BREMER. Mr. Hamadei was arrested, incidentally, on the basis of an Interpol arrest warrant, somewhat similar to the one we have on Abul Abbas on January 13, trying to smuggle explosives into Frankfurt. He is, as you know, suspected of being one of the hijackers of TWA flight 847 in 1985. We have requested his extradition from the German Government, and the German Government is currently processing that extradition request. We have stressed to the Germans our very deep hope that they will extradite him to the United States.

Senator NICKLES. Hasn't there been a significant increase in terrorist activity directed toward Germany to prevent his extradition into the United States?

Ambassador BREMER. There have been two West German citizens taken hostage in Lebanon during the week after Hamadei was arrested. I am not aware of other terrorist incidents connected directly to that. There was a terrorist incident earlier this week in Germany directed against a British Army officers club. That appears to be unrelated to the Middle East.

TERRORISM LIST: IRAQ

Senator NICKLES. What five countries were on the terrorist list?

Ambassador BREMER. Syria, Iran, Libya, Cuba and South Yemen.

Senator NICKLES. And you said that you thought Abbas was in Iraq?

Ambassador BREMER. Yes.

Senator NICKLES. Why wouldn't Iraq be included on that list?

Ambassador BREMER. Iraq was on the list for a number of years. They were taken off the list several years ago as a consequence of some decisions they made, particularly in the expulsion of Abu Nidal from Baghdad, I think in 1982.

But we have the situation on Iraq under continuous review as, indeed, we have the situation of all the countries under continuous review. The Iraqi Government is well aware of our concerns.

Senator NICKLES. If you have governments which harbor known international terrorists, it would seem to me they would be prime targets to be on that list.

Ambassador BREMER. It is a factor.

Senator NICKLES. I would think that that would be one thing which would be considered. Also, let me ask you, have we done anything in the State Department, not so much through this group, but in the State Department, as well, as far as additional pressure on other countries to pressure those countries which do harbor terrorists?

I am talking about possibly the denial of landing rights or imposing economic consequences. There are several incremental steps that could be taken if we had a wide, concerted, joint effort by a lot of countries to isolate those countries which harbor terrorists and which finance terrorism. Denial of landing rights or economic sanctions could have more success than what we have had by putting somebody on an international warrant. If the host countries would not pursue the warrant or would not offer some cooperation, the warrant does nothing.

LYBIA/SYRIA

Ambassador BREMER. We have a fairly extensive effort to bring pressure to bear on the countries which support terrorism, and you are familiar with our efforts in the case of Libya, which involved political and economic pressures, diplomatic pressures, and in the end, military pressures.

We have encouraged our allies in Europe to join us in bringing that pressure to bear on the Libyans. As I mentioned in my statement, following the bombing last year of the discotheque in Berlin, the Europeans became convinced that Libya was involved in terrorism. They expelled over 100 Libyan diplomats from their countries, and we believe this had an important effect on reducing Qadhafi's infrastructure in Europe.

In the case of Syria, in the wake of the court case in November in London which convicted a Jordanian working for Syria of attempting to bomb an El Al airliner, the European Community issued a series of measures against Syria. We withdrew our Ambassador, the British broke diplomatic relations with Syria.

We also removed most of our remaining economic measures with Syria, including the question of landing rights with Syrian Arab Airways here in the United States. So I think it is fair to say that we have a strategy of trying to do what you are suggesting, Senator. I am not saying that we always get the kind of cooperation we would like.

Senator NICKLES. Looking at this trend in the chart, there may be a slight reduction between 1985 and 1986, but the overall growth trend is substantial from the late 1960's through the 1980's, and I don't know that it would have any momentum to have a continuing downturn. I am concerned about it. I would encourage the State Department to do whatever it could as far as apprehension of international terrorists and application of political means, economic means, to try and single out those countries that harbor, finance terrorism to try and get their attention. Let them know that there is a price to be paid, economically, if not through other means.

Thank you, Mr. Chairman.

ATA REPORT

Senator INOUYE. Thank you very much.

Mr. Ambassador, the next question is a very important one to the Subcommittee. This program was started in fiscal year 1983. At that time I asked several questions about how this program was different from previous law enforcement training programs. You may recall abuses in earlier programs led to the enactment of Section 660, which prohibited U.S. training of foreign police.

At that time, I asked your predecessor, "What assurances can you offer to satisfy congressional concerns that this anti-terrorism program may develop into a public safety program which caused Congress to enact Section 660." Ambassador Sayre responded as follows: "Finally, I should like to emphasize that this program will be completely open and unclassified and under congressional oversight."

Now, you have given us two annual reports, a blue one and a yellow one here. This one here says "Secret". I presume from this that this policy has been changed. I have a little experience in classification. I was the first Chairman of the Intelligence Committee of the U.S. Senate; served on that committee for 8 years, and I was made privy to all sorts of sensitive material.

I am now presently involved with this Iran investigation, here, again, with thousands of sensitive documents. I have looked over this, and for the life of me, I cannot understand why. I will abide by your wish, but I won't mention the country. It says here we provided this country a 2-week course on hostage negotiations; location, Washington, D.C.; number of participants, nine.

I don't see anything secret about that. Then you also provided to this same country a 2-week seminar on building security, and that was done in Louisiana. This seminar was carried out, and the participants, nine.

Then the next course was on advanced civil aviation security. This one was for 3 weeks, and this was done in Oklahoma; number of participants, nine. Then we have got another one, building security in Virginia, participants, 20; hijack crisis management, you have got two dates and number of participants, 58.

I would think that you would like to tell the folks that you have been carrying out seminars on security of high-risk prisoners; this went on for a week and was provided by certain organizations. This was done in Florida, and you have half a dozen from several countries.

Maritime security, harbor patrol operations; I try to look through all of this. Then you have cumulative summary of civil aviation, security courses and overseas seminars as of January 31, 1987, and you list a whole bunch of countries. You tell us that in one country, you held a hijack crisis management seminar, advanced civil aviation security and a hijack crisis management seminar again; sky marshal training; Air Force security. Why should all of these things be classified?

Ambassador Bremer. Senator, it is the intention to try to keep the program as open as possible. I think the sensitivity is not so much——

Senator Inouye. It says "Secret" here.

Ambassador Bremer. I will let Mr. Fulgham answer in more detail. The problem has to do with the sensitivity of the countries receiving the assistance and their sensitivity of having public documents which show in detail what kind of training they have had.

Let me ask Mr. Fulgham to answer this question.

Mr. Fulgham. Mr. Chairman, I think that we had two choices in that, and each year, we have improved the quality of the annual report to make it more readable; to be able to have the Congress participate better in the anti-terrorism program which we do actively seek your guidance and advice in the program. For example, there are many Arab nations that are willing to come and work with us, but only on the condition that it is not publicized.

Senator INOUYE. Our representatives?

Mr. FULGHAM. The more moderate Arab countries.

Ambassador BREMER. For example.

FORM OF REPORT

Mr. FULGHAM. Rather than divide the book up into different groups in a classified and non-classified portion, we put it all in one group and we classified the whole book so you can refer to it.

In addition to that, sir, there was legislation passed that put the Department of State in the position of coordinating terrorism-related assistance, and if you look on the very last part of the report, you will see that there are other agencies, intelligence agencies, DOD groups. There is some information in there that is, in fact, very classified.

So in order to put everything into one group that would be readily available as a reference document, it was done in that form.

Senator INOUYE. I am going to ask you to go through this as we would go through our reports, and have the appropriate agencies declassify this. I think this is what builds upon the suspicion of the populus of the United States, to look at something like this, "Now, what are they hiding?" and this is the sort of reporting that led to Section 660; reports given to us, "Oh, we are doing a fine job. We are training police officers," when actually, we are training them how to use machine guns and tanks and not telephone communication and the use of small arms.

When we speak of summary report of other agency activities, everyone expects the FBI to be involved. What is so classified about that? I would assume that the CIA is involved.

Mr. FULGHAM. That is correct, and if you read through there——

Senator INOUYE. The Department of Justice; the DEA; the FAA.

Mr. FULGHAM. That is not what is classified, though. If you turn through there——

Senator INOUYE. Every page is secret.

Ambassador BREMER. Let us take your suggestion, Mr. Chairman, and go through the report.

Mr. FULGHAM. There are certain pages that do have specifics.

Ambassador BREMER. I think there is a problem; we will certainly take your suggestion, particularly, and look at that last section, Mr. Chairman. But I think it is important to stress that there are sensitivities on the part of some of the receiving countries if they are going to continue to participate.

Senator INOUYE. On the first page here, there are six countries, not one Arab; on the next page, you have five countries, one Arab. On the next page you have seven countries.

Mr. FULGHAM. There are some Mediterranean. What you could do, sir——

Senator INOUYE. You mean Greece. Greece is sensitive about this?

Mr. FULGHAM. Yes.

Ambassador BREMER. As a matter of fact, they are.

Mr. FULGHAM. Yes, sir, they are.

Senator INOUYE. Italy would be sensitive?

Mr. FULGHAM. Greece. Not Italy, Greece.

Senator INOUYE. Why would Greece be sensitive? Don't they want the world to know that we are helping them on airport security? You mean they are ashamed that we have got to help them?

SUGGESTED REVISIONS

Ambassador BREMER. Let me go back a step. Our intention is to make the report useful to Congress, and if Congress would like to have the report submitted in a different way, we would be happy to do that.

Senator INOUYE. I will tell you why it is not useful to us. Since you have classified this whole thing and we would like to go to our constituents and tell them, "You know, we are doing a bang-up job on anti-terrorism, but we can't tell you what we are doing. See, we are just helping people, but we can't tell you. These are all the things we are helping them with, how to train dogs and all; how to set up airport security. But these are all secret."

Ambassador BREMER. Mr. Chairman, the unclassified report gives an overview of what we are doing, including the title of the courses which are offered.

What the classified report does is put the countries together with the courses, which is not done in the unclassified version.

Senator INOUYE. We can't use this in our debates.

Ambassador BREMER. I take your point. We want the report to be useful to Congress, and we want to do it in a way that is useful.

Mr. FULGHAM. Mr. Chairman, were you looking for a response to the question on the anti-terrorism program relating to the public safety programs?

Senator INOUYE. No, just about this here.

Mr. FULGHAM. OK.

Senator INOUYE. I was just reminded by Mr. Bond here that we don't classify IMET training, military training, and all these countries that are sending their officers for training are all listed, Arab countries, non-Arab countries, Asian countries, Latin American countries.

COORDINATING COMMITTEE

Senator HARKIN. Mr. Chairman? Let me just ask, who decides to put a secret stamp on this? At what level is this decided? Who decides that this has to be?

Senator INOUYE. It must be the State Department.

Senator HARKIN. At what level?

Ambassador BREMER. That is produced by our office. It is produced by Mr. Fulgham's office at my direction.

Senator HARKIN. Who says, "Yes, stamp this secret"? Who is the final authority that says that?

Mr. FULGHAM. That was an agreement from the Joint Committee on Coordinating Terrorism-Related Assistance that if the program——

Senator HARKIN. Joint committee?

Mr. FULGHAM. Yes, sir.

Senator HARKIN. On what?

Mr. FULGHAM. Coordinating Terrorism-Related Assistance.

Senator HARKIN. Who is on that committee?

Mr. FULGHAM. That committee was mandated in legislation 2 years ago requiring that the State Department coordinate all terrorism-related assistance from U.S. Government agencies through foreign governments. They are the people who submit data to the last pages you have, sir. We got their agreement.

Senator HARKIN. Are members of the joint committee listed on the last page?

Mr. FULGHAM. The members aren't listed, but their submission is listed in the very last section under other agencies. It was during that process that a recommendation came out to make the report secret, and then after discussions, we decided to, in fact, make the submission secret.

Senator HARKIN. You say this joint committee?

Mr. FULGHAM. Yes, sir.

Senator HARKIN. I still don't know who the joint committee is.

Ambassador BREMER. Let me explain, sir. The primary interagency group for coordinating the terrorism policy meets under my chairmanship. It is called the Interagency Group for Terrorism. We have established a subgroup of that committee on which the relevant U.S. Government agencies who provide terrorism-related assistance are represented. Those agencies each were asked to provide, in accordance with the law, the report on their terrorism-related assistance last year.

That report is found at the last tab of this report. The last five or six pages.

CLASSIFICATION PROCEDURES

Some of those agencies requested of that working group that the report be classified in order that they could more fully meet the congressional requirement for the report, because they are useful. If it was unclassified they could say a lot less. It is a problem we face every day in this business of classification.

We thought it was prudent, in light of the interest of trying to be forthcoming, to meet the congressional mandate, to classify the report so that we could be more forthcoming. I understand the view of the committee that this perhaps was not the best solution or you would like to see a different solution.

We are happy to make the report to you a report that was done in response to your legislation. So we will do it however you would like to do it. We would be happy to meet with your staff to find a better way to do it next year.

Senator HARKIN. I just want to determine at what level this was stamped "Secret". I am always serious about these things.

Ambassador BREMER. It would be at the level of approximately Deputy Assistant Secretaries of the various agencies.

Senator HARKIN. That would be you?

Ambassador BREMER. No. Mr. Fulgham chairs that.

Senator HARKIN. You stamped this?

Mr. FULGHAM. Yes.

Senator HARKIN. Thank you, Mr. Chairman.

Senator INOUYE. I am not being facetious, but the questions I have may require classified information, so I will submit them, and you can respond to them accordingly. However, there is one I would like to ask for the record here.

NO INTERROGATION TRAINING

One of the problems we had that led up to the enactment of Section 660 was our involvement in training foreign police units in the technique of interrogation. If you will recall, at that time the force of interrogation went beyond just asking, "What is your name and your address?" We talked about techniques on how to get information fastest and in the most concise manner by physical or, shall I say—what is that word I want to use? Let's make it soft and say physical coercion. I don't want to use the word torture.

Are we doing this? You have a section here on hostage rescue and hostage negotiations. Are we also involved in the fine art of interrogation?

Mr. FULGHAM. Would you like for me to answer?

Ambassador BREMER. Yes.

PUBLIC SAFETY PROGRAM

Mr. FULGHAM. Over the 2 years, Senator, that I have been in this job, in meeting constantly with the Congress, if there is anybody that is sensitive to the issue of the old public safety program and the innuendoes with that, it is me.

Senator HARKIN. What was that? The innuendoes?

Mr. FULGHAM. The innuendoes.

Senator HARKIN. As they as though they weren't factual?

Mr. FULGHAM. We could discuss those in a few minutes and discuss that.

Senator HARKIN. Do you want to go back and get the record from 15 or 14 years ago, 1970? I'm sorry.

Mr. FULGHAM. That is all right. I understand. For example, I have met with the old public safety program director for hours and discussed what the problems were, and how he saw them were perhaps biased. But I think that the primary answer to the question is that we are not in the counter-terrorism business.

HUMAN RIGHTS SAFEGUARDS

We are in the prevention business. We have never taught interrogation. We have never provided any equipment. I will be happy to provide a list of all the courses; in fact, it is in the annual report. All of the courses are carefully screened. If we are talking about Latin American countries, in a number of those courses, at least a third of the curriculum is directed toward human rights, community relations, and the minimal use of force.

We have congressional oversight. We have reporting requirements. We have more congressional involvement. Before a country is even authorized to participate, it has to be approved by our Bureau of Human Rights.

I think there are a number of safeguards that we did not have before, plus the focus is different. This focus is not on general police training. We are trying to provide assistance to prevent terrorism from destabilizing the governments and we are not providing general police assistance, which is different.

Senator INOUYE. Do you have any questions?

Senator HARKIN. Can I take a few minutes, Mr. Chairman?

Senator INOUYE. Oh, please do.

RECIPIENT COUNTRIES

Senator HARKIN. Mr. Bremer, you say in your testimony there are 44 countries and recipients of ATA training. I assume they are listed in that yellow classified?

Ambassador BREMER. They are listed in the unclassified books.

Senator HARKIN. They are listed?

Ambassador BREMER. Yes, sir.

Senator HARKIN. So you can provide the names to us.

Senator INOUYE. You mean you have listed them, even those that are embarrassed to be listed?

Ambassador BREMER. But not the courses. The embarrassment comes because they do not want the specifics of the kind of training they are having. We are required by law to tell you publicly which countries are receiving the ATA. In fact, we are required to tell you ahead of time.

Senator INOUYE. They are actually embarrassed to let the world know they have received some assistance from us in setting up airport security?

Ambassador BREMER. In some cases, yes.

Mr. FULGHAM. Airport security, but not——

Senator INOUYE. Guard training?

Mr. FULGHAM. Yes.

Senator INOUYE. Really?

Ambassador BREMER. Crisis management.

Mr. FULGHAM. They are more concerned about the degree of their participation than they are concerned about the participation. If it comes out that a moderate Arab nation participated with us in anti-terrorism training, that can be a single visit as opposed to a quite comprehensive program.

Senator INOUYE. I want to go through the yellow book in just the Arab nations. Is Brazil embarrassed? Is Venezuela embarrassed? Is Greece embarrassed? Is Israel embarrassed?

AMOUNTS PER COUNTRY

Senator HARKIN. So we have the names. Do we have the amounts of each country, too? Do we have those?

Ambassador BREMER. That is not part of the report sir.

Senator HARKIN. Why is that?

Mr. FULGHAM. The amount is not part of the requirement, for one thing, of the legislation. I would be happy to; we certainly have that.

Senator HARKIN. By country, how much?

Mr. FULGHAM. Absolutely, right here.

Senator HARKIN. Is that classified, too, or is that unclassified?

Ambassador BREMER. Some we would have to look at.

Senator HARKIN. Some would be classified?

Ambassador BREMER. Some of them, yes, sir.

Senator HARKIN. How do we ever get a handle on how much goes to what country?

Ambassador BREMER. We can provide it to you. That is not a problem.

Senator HARKIN. I would like to see that. I don't know how you provide it, though, and how you do it.

Ambassador BREMER. We can meet with your staff.

[The information follows:]

ATA - Program
Expenses and Equipment
For FYS: 84 thru 87

Region / Country	Cumulative Training Exp. Incl Exec. Sem.)	Equip.	Subtotal	Projected Courses 3/87 - 10/87	Proposed Equipment 3/87 - 10/87	Actual/Projected Training & Equipment FY 84 - FY 87
AFRICA						
Cameroon	135,876	34,600	170,476	29,500	--	199,976
Central African Republic	--	--	--	92,680	116,000	208,680
Ivory Coast	--	--	--	112,680	--	112,680
Kenya	--	--	--	92,680	116,000	208,680
Liberia	59,914 (E.S. Only)		--	59,914	--	59,914
Senegal	74,000	--	74,000	153,380	--	215,380
Somalia	68,270	--	68,270	--	--	68,270
Total:	338,060	34,600	372,660	480,920	232,000	1,073,580

ATA - Program
Expenses and Equipment
For FYS: 84 thru 87

Region / Country	Cumulative Training Exp. (Incl Exec. Sem.)	Equip.	Subtotal	Projected Courses 3/87 - 10/87	Proposed Equipment 3/87 - 10/87	Actual/Projected Training & Equipment FY 84 - FY 87
EAST ASIA						
Brunei	126,000	--	126,000	--	--	126,000
Malaysia	50,850	--	50,850	--	--	50,850
Phillipines	178,450	144,700	323,150	665,525	95,000	1,083,675
Thailand	3,600	--	3,600	--	--	3,600
Total:	358,900	144,700	503,600	665,525	95,000	1,264,125

ATA - Program
Expenses and Equipment
For FYS: 84 thru 87

Region / Country	Cumulative Training Exp. (Incl Exec. Sem.)	Equip.	Subtotal	Projected Courses 3/87 - 10/87	Proposed Equipment 3/87 - 10/87	Actual/Projected Training & Equipment FY 84 - FY 87
EUROPE						
Cyprus	54,250	--	54,250	221,946	24,000	300,190
Denmark	22,875	--	22,875	--	--	22,875
Greece	297,726	43,000	340,726	125,092	--	465,818
Italy	33,644	--	33,644	--	--	33,644
Netherlands	28,500	--	28,500	--	--	28,500
Portugal	278,812	16,100	294,912	283,550	--	578,462
Turkey	664,828	22,000	686,828	222,160	--	908,988
UK	--	--	--	--	--	--
Total:	1,380,635	81,100	1,461,735	852,748	24,000	2,338,477

ATA - Program
Expenses and Equipment
For FY's: '84 thru '87

Region / Country	Cumulative Training (Incl Exec. Sem.)	Equip.	Subtotal	Projected Courses 3/87 - 10/87	Projected Equipment 3/87 - 10/87	Actual/Projected Training & Equipment FY 84 - FY 87
LATIN AMERICA						
Barbados	33,350	--	33,350	136,560	35,000	204,910
Bolivia	67,049	84,000	151,049	778,460	36,000	965,509
Colombia	917,962	172,400	1,060,010	645,300	81,000	1,786,310
Costa Rica	665,862	239,000	1,156,962	203,960	150,000	1,510,922
Ecuador	627,896	--	627,896	609,130	135,000	1,372,026
El Salvador	514,590	60,900	575,490	391,048	130,000	1,096,538
Guatemala	61,050	52,000	113,050	381,050	153,000	647,100
Honduras	482,574	205,100	687,674	340,550	141,000	1,169,224
OECS	751,671	43,800	795,471	158,340	121,000	1,074,811
Peru	302,171	5,300	307,471	--	180,000	487,471
Total:	4,424,175	862,500	5,508,423	3,644,398	1,162,000	10,314,821

ATA - Program
Expenses and Equipment
For FYS: 84 thru 87

Region / Country	Cumulative Training Exp. (Incl Exec. Sem.)	Equip.	Subtotal	Projected Course 3/87 - 10/87	Proposed Equipment 3/87 - 10/87	Actual/Projected Training & Equipment FY 84 - FY 87
NEAR EAST/S. ASIA						
Egypt	1,000,437	100,700	1,107,137	140,280	--	1,241,417
Gulf Cooperative C	* 52,380	--	52,380	--	--	52,380
	* Executive Seminar (combined) for Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates					
(1)	--	--	--	--	--	--
(1)	--	--	--	--	--	--
Qatar	83,000	--	83,000	132,000	--	215,000
Saudia Arabia	--	--	--	59,000	--	59,000
Israel	74,308	--	74,308	--	--	74,308
Jordan	28,725	138,900	167,625	309,968	27,000	504,593
Pakistan	55,914	42,800	98,714	182,920	86,000	367,634
Sri Lanka (2)	41,250	--	41,250	--	41,250	
Total:	1,895,414	428,600	2,330,014	1,207,408	183,000	3,714,422

(1) Due to the sensitivities discussed in the testimony, figures on certain countries are contained in a classified annex submitted for the subcommittee's files.

(2) Executive Seminar for aviation security only.

EL SALVADOR

Senator HARKIN. I want to discuss the ATA program in El Salvador. In its February 1987 report to Congress, the Department of State listed as one of its programs to improve courses involving the prevention, deterrence and response to unique specific terrorist threats and incidents in their countries.

I would suspect the prosecution of known terrorists is an important component of any terrorist prevention program. Is that so?

Mr. FULGHAM. Yes, sir.

Senator HARKIN. On this point, I am concerned that while the United States operates this ATA program in Salvador and other places, with one of its components being airport security, it has been reported that the the secret military supply operation conducted out of Ilopango—the same one that Mr. Hasenfus was involved in—employed a man known as Ramon Medina. This operation apparently worked with Max Gomez or Felix Rodriguez in coordinating flights out of Ilopango which dropped military supplies to the Contras in Nicaragua.

Furthermore, it has been reported that our military group in San Salvador maintained close contact with that operation. It has been reported that Mr. Medina is really Luis Posada, a Cuban who was held in Venezuela for a 1976 bombing or a Cuban air line flight in which 73 persons were killed.

Mr. Hasenfus, while in prison in Managua, identified him as the person who handled the secret supply mission.

Furthermore, the UPI found more evidence supporting that Medina-Posada link. It seems phone bills of the Medina residence shows that in July of 1976, phone calls were made from the safe house to Posada's wife, Nieves, as well as two of his friends in Miami.

Furthermore, it is my understanding that the United States, along with Venezuela and El Salvador, are parties to a convention for unusual acts against civil aviation. Again, as a general matter, are you both aware of this information?

Ambassador BREMER. Yes, sir.

Senator HARKIN. Further, how can our Government be involved in training Salvadorans in anti-terrorism while at the same time our government appears to be working with known terrorists such as Mr. Luis Posada?

INVESTIGATIONS

Ambassador BREMER. Senator, let me try to answer that as best I can. It is not entirely satisfactory, the answer, even to me. We have been looking very intently into this question since the allegations first appeared in the press. What I can say is to date, we have found no evidence in relevant U.S. Government agencies—we have asked them all—that would confirm that Mr. Medina is the same as Mr. Posada. We don't have the evidence. We cannot determine that. That is the first part.

So the structure of the problem becomes, from there, more complicated. There are, as you noted, allegations that they are one in the same person. Among other places, we have checked with the former head of the military assistance commander in El Salvador. He remembers meeting a man named Medina, but he has no knowledge that that might be Posada. He does not know he had relationships with the Contra group there.

We have checked with the relevant intelligence agencies to check their files to see if we can find either of these names. There are, in the intelligence files of the domestic agency, a number of Ramon Medinas. It is a common surname, and we have no data on the date of birth of the man involved in El Salvador, so we have no way of knowing whether it is the same person.

Mr. Posada, according to our information, as you have noted, was held in Venezuela. He was never formally charged, and he was never formally tried, which brings me to the last point. I have to come to your reference here on international obligations. I am not a lawyer, and I am now speaking off the top of my head, but I would guess that we would have to have at least a conviction or at least a warrant for Mr. Posada in order to complete our allegations.

That is as far into it as we have been able to get. Let me make a more general point, though, which is: I couldn't agree more with you. Certainly, it is not our intention to train or employ terrorists, and I take it that is the thrust of your question, and I certainly agree with that.

Senator HARKIN. Not so much just your Department, but I am concerned that one arm of our Government trains anti-terrorists, while another arm of our Government works with these people.

Ambassador BREMER. I understand. We will check with the other arms of the government. At this point, there is no evidence that these people are one in the same.

Senator HARKIN. It should not take too much to ask the Venezuelans about Posada.

Ambassador BREMER. We are pursuing that angle as well as the questions with the Salvadoran Government.

POSADA'S TELEPHONE BILLS

Senator HARKIN. I appreciate that. When I started investigating this question, I was told that a lot of the reports on Posasa were part of a misinformation campaign coming out of Managua, including the supposed telephone calls to Posada's wife.

Ambassador BREMER. We would have no way of knowing that.

Senator HARKIN. You would have no way of knowing that. But I just want you to know that I do have the telephone bill from Managua. Do you think the Nicaraguans infiltrated the telephone company of San Salvador and elicited that information? We have the telephone numbers right there. The phone calls were made.

So something is going on there. I mean, do you believe that someone who has no connection with Posada is calling Posada's wife?

Ambassador BREMER. I told you I didn't think the answers were totally satisfactory.

HONDURAS SITUATION

Senator HARKIN. I hope you keep pursuing that matter. Thank you.

The last question I have, Mr. Chairman, deals with Honduras. Again, this is almost the same kind of situation. We have an ATA program in Honduras, correct?

Mr. FULGHAM. Yes, that is right.

Senator HARKIN. For how long?

Mr. FULGHAM. For 2 years.

Senator HARKIN. It is my understanding that a certain individual by the name of Major Alexander Hernandez within the past few months has been appointed as the Director of the Training School of Officials of the FUSEP, the public security forces in Honduras. Major Hernandez is cited by a number of sources to be involved in a secret military intelligence squadron which worked with the Contras along with a man named Chino Lau.

Do you know anything about a person named Chino Lau who engaged in death squad activities in Honduras in the early 1980's? In Mr. Dickey's book here, he pointed it out, also.

He talked about Mr. Alvarez as head of the security forces. As he said, under Alvarez was a bright young captain named Alexander Hernandez, who commanded the special investigations unit, a squad trained by the Argentineans to take care of suspected terrorists. By April 1981, outright political disappearances began for the first time in Honduran history. They were the first reports of secret cells, arrests and disappearances.

So this is that same Hernandez who now is the director of the training school for Honduran public security forces. Again, does either one of you know about this, or have you looked into it?

Ambassador BREMER. I am not aware of this.

Senator HARKIN. Are you aware of this at all?

Mr. FULGHAM. Recently, I mean within the past few weeks, there have been some allegations to that effect. And I have asked our bureau to look into this.

Senator HARKIN. To look into Hernandez.

Mr. FULGHAM. Hernandez, Alexander Hernandez.

Senator HARKIN. Would you let us know when you find out?

Mr. FULGHAM. Yes. I will.

Senator HARKIN. If you don't shortly, we will follow up.

Mr. FULGHAM. Certainly.

Senator HARKIN. Follow up on that, because I would think that having Mr. Hernandez in that kind of position might jeopardize the safety of some Hondurans. I thank you very much and I appreciate it.

Thank you.

I am sorry, Mr. Chairman. That is all I had.

CONFIDENTIALITY OF REPORT

Senator Inouye. Oh, thank you very much. Once again, Mr. Ambassador, I thank you. I can assure you we would like to cooperate with you fully on maintaining proper secrecy where we think it should be. But I am certainly agreeable. There may be a few items in there that should be classified, but probably not the whole thing.

Ambassador Bremer. I think a better way is to maintain the confidentiality.

Senator Inouye. My concern is that we come out with something like this. Not only the general public, but Members of the Congress will say they have got something to hide. That is usually the presumption.

Ambassador Bremer. That is certainly not our intention, Mr. Chairman.

Senator Inouye. I am sure it is not. I am certain your program is a valid one, one with much merit, and it should be publicized.

Senator Harkin. I want to second that, Mr. Chairman. I want to hear from the Hernandez.

INTER-AMERICAN FOUNDATION

STATEMENT OF DEBORAH SZEKELY, PRESIDENT, INTER-AMERICAN FOUNDATION

ACCOMPANIED BY ROBERT MASHEK, EXECUTIVE VICE PRESIDENT

INTRODUCTION OF WITNESSES

Senator INOUYE. Our final witness this morning is Madam Deborah Szekely, President of the International Foundation. Welcome.

Madam, we have received your prepared text, and it will be made a part of the record.

Ms. SZEKELY. Thank you.

Senator INOUYE. You may proceed as you wish.

Ms. SZEKELY. May I introduce the Foundation's Executive Vice President, Bob Mashek.

Senator INOUYE. Welcome.

OPENING STATEMENT

Ms. SZEKELY. Mr. Chairman, I am pleased to appear before this distinguished committee to tell you how special the work of the Inter-American Foundation is and to answer your questions. I hope you will have many, because it has been my privilege to be at the Foundation for the past two and a half years.

The Foundation is special because it demonstrates that productive people form the essential nucleus around which solutions to poverty and underdevelopment can be found. Thus, we work directly with the very people in Latin America and the Caribbean who are most in need. The Foundation is also special because its responds to, supports and encourages their very own initiatives. Our work affirms the sense of sharing and helping, and infinite possibility that binds us together.

Congress has encouraged the Foundation to be innovative, to take risks. Because we are small, lithe and light, we can and do give rapid support to a wide array of creative works. And because there is so much to be done, we try to learn quickly and share what we have discovered and documented with the widest possible audience.

BUDGET REQUEST

You have before you the Foundation's request for fiscal year 1988: $11.3 million. The Foundation will also have available $15.7 million in a number of local currencies from the Social Progress Trust Fund. The total projected operating budget is $27 million, of which over $22 million will be used for programming.

In past years, when the President of the Inter-American Foundation has appeared before this committee, much of the testimony has been taken up describing a few of the most worthwhile projects. I would rather use this opportunity to talk briefly about the broader meaning of our work.

FOUNDATION ACTIVITIES

During this past year, the Foundation approved 265 grants each with an average value of $65,000 and a duration of 2 years. Grants are used to provide employment opportunities for the poor in the manufacturing and service sectors and for making small loans in the so-called informal sector; the free market of tiny businesses that sustain the majority of the people of the Latin American countries.

Grants were used to provide assistance to improve livestock, purchase seed for small-scale farmers and to create adult education programs. Foundation projects usually include some form of leadership or business training, coordinated and managed by the grant recipients.

But most importantly, the Foundation used its resources to encourage the private sector in Latin American and the Caribbean to work with those indigenous, non-profit organizations which are dedicated to improving their own societies. The projects represent their energy and their thought and their money on a one-to-one basis which often exceeds the Foundation's financial contribution. These private development groups are the dynamic partners of the Inter-American Foundation. Their growing size, strength and interconnected operations, all of which stress the participation of the poor in their own development are a testiment to the validity of the Foundation's approach.

These groups often serve as the only bridges—ladders of communication—between the people in the villages and the barrios and their own governments. They are models for the proliferation of small democratically-run groups in societies that are moving beyond paths marked by a critical reliance on a central state.

Long ago, the Inter-American Foundation pioneered the concept that well-conceived and executed small projects often produce the most lasting results. Self-help, working at the grassroots, finding solutions from the bottom up are no longer trendy notions; they are proven records that work. We know this to be true, since the Foundation has funded 1,700 grassroots organizations over the past 16 years.

Viewed from these perspectives, it seems to me highly valuable for a U.S. Government agency to support directly the growth of a private development phenomenon in Latin America and the Caribbean that encourages self-help and citizen initiative.

FOUNDATION GOALS

Yet, the Inter-American Foundation was created to do more than fund projects. The Foundation is also a working laboratory in which new ways can be found to address the age-old problem of poverty and underdevelopment. In order to make sure that this important work is carried out, under my guidance, I have expanded efforts to study, analyze and share with our grantees and the development community here and abroad what the Foundation learns from its experience.

As you review the Foundation's budget presentation, I hope you will keep in mind that the Foundation, with a staff of only 67 people, is the one and only U.S. Government development assistance agency active in the six largest countries of Latin America accounting for 75 percent of the region's population. Latin American governments welcome the Foundation's presence, as we demonstrate the good will of the American people, our faith and freedom in democracy and our desire to help our neighbors overcome the grave economic and social challenges facing them.

Over 16 years, $230 million, 2,300 projects don't seem like much when one considers the level of need, but for the three million people reached by the Inter-American Foundation, we made a difference, and our impact on the developing world is beyond measure.

Last year, I visited ten Latin American countries. I wish you could travel with me to see what the Foundation is doing to help people in the slums of Bogota, the backlands of northeast Brazil, fishing villages of Costa Rica and in the mountain hamlets of Haiti. Your support has made it possible for the Foundation to reach those places and help those people; to create hope where once there was only despair; and to encourage their will and self-esteem which is essential for lasting development.

Mr. Chairman, I thank you for this opportunity to speak to the members of this committee. I will be happy to answer your questions.

[The statement of Deborah Szekely follows:]

PREPARED STATEMENT OF DEBORAH SZEKELY
PRESIDENT
INTER-AMERICAN FOUNDATION

Introduction

Mr. Chairman, I am honored to appear before this distinguished Committee to tell you about the work of the Inter-American Foundation, and to answer your questions. I hope you will have many, because I am delighted to talk about the fine--often fantastic--work of the Foundation. I consider it my great good fortune to have become involved with this public program, which is so very special and important.

The Foundation is special because it demonstrates that productive people form the essential nucleus around which solutions to poverty and underdevelopment can be found. Thus, we work directly with the very people in Latin America and the Caribbean who are most in need. The Foundation is also special because it responds to, supports, and encourages their own initiatives.

Congress has encouraged the Foundation to be innovative, to take risks. Because we are small, lithe and light, we can and do give rapid support to a wide array of creative ideas. And because there is so much to be done, we try to learn quickly and share what we have discovered and documented with the widest possible audience.

You have before you our request for Fiscal Year 1988: $11.3

million. The Foundation will also have available $15.7 million in a number of local currencies from the Social Progress Trust Fund (SPTF). The Foundation's total projected operating budget is $27 million, of which $22 million will be used for program purposes.

The program consists of direct grants to Latin American and Caribbean local development projects as well as learning and dissemination activities. Assuming an average grant size of about $60,000, funding during fiscal year 1988 will be provided to some 300 organizations.

Private Development

Two and one-half years ago, I came to the Foundation as its President. Although I knew little about the Foundation, I did know something about local development in Latin America. I had started my business in Tecate, Mexico in 1940. Tecate was then scarcely a village. We dug our own wells, grew our own vegetables, raised and milked our own goats. I worked with and trained hundreds of Mexican friends, most of them straight off the farm, and helped three generations develop skills, and start their own businesses. I saw--and encouraged--the educational leap from practically no schooling of one generation to college education of grandchildren. Gradually, Tecate turned into a thriving, modern town.

My experience has been very special, and specific. Since I joined the Foundation, I have discovered whole galaxies of local self-help efforts throughout Latin America and the Caribbean, many similar to my experiences in Tecate. Everywhere there has been a burgeoning surge of private citizens' groups organizing their own development projects. In the last year, I saw some of this vast movement during my field visits to Mexico, El Salvador, Costa Rica, Panama, Ecuador, Peru, Chile, Argentina, Uruguay, and Brazil. I am told that in the 16 years since the Foundation came into existence, the estimated number of private development organizations in the region has increased from 250 to 4,000.

There is a mushrooming trend for poor people to begin to tackle their distressful conditions on their own, not to wait for or to rely solely on their governments to do something for them. Why? I am not entirely certain, by any means. However, these people share some common characteristics: a sense of hope and urgency about improving their living conditions and a growing confidence in doing for themselves. This trend is hastened, I think, by severe economic problems in many of the countries and the inability of governments to maintain past programs as their budgets shrink.

My feelings were reinforced last fall when I visited some 31 European funding organizations and found broad agreement about the importance of private development efforts in the Third World, about supporting projects as close to the grassroots as possible, and about supporting them on a partnership basis.

The Foundation's Role--and Impact

In past years, when the President of the Inter-American Foundation has appeared before this Committee, much of the testimony has been taken up with describing a few of the most worthwhile projects of the previous year. I would rather use this opportunity to talk about the broader meaning of the

Foundation's work. Thus, I refer you to the Foundation's FY 1988 budget presentation materials which describe the Foundation's program and every grant.

What is the Foundation's role in the universe of private development in the Western Hemisphere? In a nutshell, it is one, modest helping hand. Foundation grants together with the resources of local private organizations benefit poor people with scarce opportunities who are actively trying to better their lives. Over the past 16 years, the Foundation has supported approximately 2,300 projects carried out by over 1,700 local private organizations throughout the hemisphere.

During fiscal year 1986, the Foundation approved 251 grants, with an average value of $65,000 per grant and duration of two years. These grants were used to provide employment opportunities for the poor in the manufacturing and service sectors and for making small loans in the so-called informal sector - the free market of tiny businesses that sustain the majority of the people of the Latin America and the Caribbean. The Foundation also provided assistance to improve livestock, purchase seed for small-scale farmers, and create adult education programs. Foundation-supported projects often included some form of leadership or business training coordinated and managed by the grant recipient.

Most importantly, the Foundation used its resources to encourage the private sector in Latin America and the Caribbean to work with those indigenous non-profit organizations which are dedicated to improving their own societies. The projects represent their energy, thought, and money which, on a one-to-one basis, quite often matched or exceeded the Foundation's financial contributions.

These private development groups are the dynamic partners of the Inter-American Foundation. Their growing size, strength and interconnected operations, all of which stress the democratic participation of the poor in their own development, are a testament to the validity of the Foundation's approach. "Self-help", working at the "grassroots", finding solutions from the "bottom-up" are no longer just trendy notions. They are proven methods that work, time and again, from one setting to another. We know this to be true from sixteen years of experience working throughout Latin America and the Caribbean.

Yet, the more I learn about these self-help efforts, the more uneasy I am to seek simple answers that offer cut-and-dried statistics. Undoubtedly, we have added to the vigor and reach of these 1,700 organizations, in their capacity to better the lot of the poor. But organizational growth takes place in many different ways. In some cases, organizations will experience simple, straightforward expansion. In other cases, an organization will remain constant in size, but some of its key people will leave to create new organizations. Sometimes, the mere existence of an organization will serve as an example for others to form similar ones.

So rather than offer you statistics, let it be said that the Inter-American Foundation has played a constructive role in providing key resources -- seed capital -- at critical times to groups, families, and individuals so that they could handle their own affairs better, when previously they had little opportunity or ability to do so.

Viewed from these perspectives, it seems to me highly valuable for a U.S. government agency to support the growth of a private development phenomenon in Latin America and the Caribbean that encourages self-help and citizen initiative. The participating organizations serve as the only bridges--ladders of communication--between the people in the villages and the barrios and their governments. They are also models for the proliferation of small, democratically-run groups throughout the fabric of societies that are moving beyond a past marked by considerable reliance on a central state.

The FY 1988 Program

The Foundation is planning a program based on budget authority of $11.3 million for 1988, with 67 full-time equivalent (FTE) personnel. The budget also assumes $15.7 million from SPTF resources.

The highlights of the program are extensions and reinforcements of trends already afoot in the Foundation's activities and priorities:

-- We will work to generate useful information on Foundation supported projects and groups as a resource in addition to program funds. By FY 1988, studies shall have been completed on the following themes: the characteristics of successful intermediary service organizations and of grassroots groups; artisanal fishing; women heads-of-household; the handicapped in development; and shifting patterns of rural migration. In FY 1988, attention shall then be given to the following subjects: the changing structure of rural employment, including that for urban-based people; the changing role of churches in development programs; the convergence of the business sector and international funders in supporting micro-enterprise programs; and environmental concerns in grassroots development. We will continue to make these finding known through the Foundation's quarterly journal, Grassroots Development, videos, monographs, and seminars. The fellowship program will continue to give preference to candidates whose research is in these areas.

-- Priority will continue to be placed on projects that offer self-employment, income, and practical skills, especially in urban and off-farm areas.

-- The Foundation's in-country services systems (ICS) shall have been consolidated in at least 18 countries. During FY 1988, the ICS systems should help to increase the chances of project success especially among small, new, and inexperienced groups. Through these systems, local consultants will: 1) monitor projects quarterly and submit short reports on progress and problems so that lessons may be better derived from our project experience, and 2) provide timely technical assistance to grantees.

-- Flexible funding mechanisms shall be implemented widely including: 1) cooperative agreements with local service institutions whereby small amounts (no more than $5,000) can be made available to start-up groups; 2) "partnership grants" to share administrative costs with worthy organizations that need a longer period of support to achieve financial stability; and 3) capitalizing loan funds administered by local service institutions and private credit institutions.

Conclusion

I wish you could travel with me to see what the Foundation is doing to help people in the slums of Bogota, the backlands of Northeast Brazil, in the fishing villages of Costa Rica, and in the mountain hamlets of Haiti. Your support has made it possible for the Foundation to reach those places and help those people, to create hope where once there was only despair, and to encourage their will and self-esteem which are essential for lasting development.

Sixteen years work - $230 million spent - 2300 projects supported. It doesn't seem like much when one considers the level of need but for the three million people reached by the Inter-American Foundation, we did indeed make a lasting difference.

Mr. Chairman, I thank you for this opportunity to speak to the Members of this distinguished Committee. I will be happy to answer your questions.

SPTF and IAF's Budgetary Future

Current Situation (1986-1988 agreement)

-- Over half (i.e., $24 million) concentrated in El Salvador, Argentina, Brazil, and Nicaragua.

--Only other country programs adequately covered are: Ecuador, Guatemala, Honduras, Panama, and Venezuela

--Little SPTF: Colombia, Costa Rica, Dominican Republic, Haiti, Paraguay, and Uruguay

--No SPTF: Chile, Mexico, and English Caribbean

After 1988

-- Total collections fall to an annual average of $10.4 million in 1989-1991, and $4.9 million in 1992-94.

-- If IAF were given half, as in the past five agreements, it would get only $5.2 million annually and $2.4 million annually during the 1989-1991 and 1992-1994 periods respectively.

-- This would produce a shortfall of close to $11 million in the FY 89 budget when compared to the $27 million total budget level, SPTF and appropriated, requested for FY 1988.

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SOCIAL PROGRESS TRUST FUND

Legislative History

The Social Progess Trust Fund ("Fund") was created in 1961 following the passage of the Latin American Development Act ("Act"). The purpose of the Act was to promote hemispheric development programs based upon self-help, mutual efforts, and the strengthening of free institutions. Section 1943 of the Act authorized $680 million, to remain available until expended, to implement the programs created under the Act.

In 1961 the Government of the United States and the Inter-American Development Bank agreed ("SPTF Agreement") to entrusts the Bank with the administration of the Fund financed with $394 million from appropriations made available through the Act.

The SPTF Agreement authorized the Administrator of the Fund (The Inter-American Development Bank or "IDB") to utilize its resources to support projects and programs in:

(a) land settlement and improved land use:
(b) housing for low income groups:

(c) water supply and sanitation;
(d) advanced education and training related to economic and social development; and
(e) basic education and health

IAF Access to SPTF

In December 1973 the United States Congress passed an amendment to the Foreign Assistance Act (22 U.S.C. sec. 2151) which directed the President of the United States to seek a revision of the SPTF Agreement to provide for periodic transfers of unencumbered capital resources of the Fund, and any future repayments or other accruals payable to the Fund, to the Inter-American Foundation ("IAF"). The resources were to be administered by the IAF for the purposes outlined in its enabling legislation. This amendment has been implemented through five three-year agreements between the IDB and the United States providing the IAF with an agreed upon portion of the available resources of the Fund as follows:

1974-1976	$ 31 million
1977-1979	48
1980-1982	48
1983-1985	48
1986-1988	48.7
TOTAL	$223.7

IAF Utilization of SPTF

Of the total of $191.9 million in SPTF funds allocated to the IAF from 1974 through 1986: $134.9 million (70 %) has been obligated for IAF program activities, approximately $35.1 million has been unused and returned to IDB, and $15.8 million remains available for use through calendar year 1986. The remaining $6.1 million represents losses in currency exchange.

As a proportion of funds obligated by the Foundation in a given fiscal year, SPTF has ranged from 72% in 1977 to 39% in 1979; the average ratio of spending is approximately 56% SPTF, 44% appropriated. During the last two years the average ratio of spending is 66% SPTF and 34% appropriated. Attachment I shows SPTF funds allocated and SPTF funds obligated by country over the period 1974 through 1986.

Since receiving access to the Fund, the IAF has experienced continuing difficulties in making use of all the Fund resources available to it under the SPTF Agreement. This is despite longstanding Foundation policy to utilize Fund resources to the fullest extent possible where they are available, while using appropriated funds in areas such as the Caribbean where there is a paucity of Fund resources available to the IAF. Nevertheless, there have remained large undisbursed balances in Central and South America.

The primary reason for these undisbursed balances is the "tying" rule contained in the SPTF Agreement which restricts use of Fund resources to their country of origin. A secondary limitation has been the restrictions imposed on the types of projects or "categories" eligible for financing under the Fund.

CY 1986-1988 SPTF Agreement

As of September 1986, the IAF had available to it $48.2 million in SPTF resources for use through CY 1988, of which $32 million will be available through FY 1988. This conforms to OMB's planned apportionment of approximately $15.7 million in SPTF resources per fiscal year. Approximately, $10 million of the $16.2 million remaining after apportionment will be available for use only in El Salvador and Nicaragua.

Attachment II shows the distribution of these funds.

Depletion of SPTF Resources and Its Impact on IAF Programs

For FY 1987, the IAF's SPTF resources represent 58% of its total budget and 69% of its program funds. However, the Fund is being rapidly depleted, and in several countries resources are exhausted or available in very small amounts (see attached chart). The IDB projects that the Fund will be entirely depleted by 1994.

For the period 1986-1988, 70% of the IAF's SPTF resources are concentrated in six of the 36 countries in which the IAF operates. (Argentina, Brazil, Ecuador, El Salvador, Nicaragua, and Venezuela). One half of this amount is concentrated in El Salvador and Nicaragua. However, since 1971, 51% of IAF funding has taken place in Paraguay, Colombia, Chile, Mexico, Belize, Costa Rica, Haiti, Jamaica, the Dominican Republic, and the Caribbean. (Chile, Jamaica and the Caribbean do not have access to SPTF). Because of the Fund's depletion, the IAF program for these countries will be limited to 26% of IAF grant funds (this amount includes both appropriated and SPTF).

The following chart compares SPTF resources which were available under the CY 1983-1985 SPTF Agreement with the amounts available under the CY 1986-1988 SPTF Agreement.

Country	1983-1985 Agreement ($ in 000)	1986-1988 Agreement ($ in 000)	% Decrease
Colombia	$ 4,500	$1,150	75%
Costa Rica	3,630	550	83%
Dom. Republic	1,100	700	30%
Haiti	220	110	45%
Mexico	2,100	0	100%
Paraguay	800	250	69%
Total	$12,350	$2,760	78%

Beginning in CY 1988, the depletion of the Fund will have a severe impact on the IAF. At that time, it is estimated that only $31,000,000 will be available for the 3-year period covering 1989-1991 - a 35% reduction ($17 million) in resources compared to the current SPTF Agreement. If the total of available resources is divided evenly between the IAF and the IDB, as has been the case with the five previous SPTF Agreements, each institution would receive $15.5 million for the 3-year period or $5.2 million per year. (See Attachment III - Average Amount of SPTF Available Per Year) Further, 47% of the available resources would be concentrated in three countries (Brazil, El Salvador, and Peru).

By 1992, only $14.6 million will remain in the Fund. The Foundation's annual share of the Fund resources will drop to $2.4 million. Forty-eight percent of these funds will be concentrated in three countries - Brazil, El Salvador and Guatemala. This would represent an 85% decrease from the current amount of SPTF resources being used by the IAF and a decrease of 49% in the total IAF budget for FY 1987. As noted above, the Fund will be totally depleted by 1994.

In summary, the rapid decrease in the availability of SPTF resouces means that the IAF program budget will have to be significantly decreased by FY 1989 to accomodate the continuing depletion of SPTF resources unless an alternative funding source is identified before that time.

ALLOCATION/USAGE OF SPTF SINCE 1974

Country	Allocated	Obligated
Argentina	$17.4 million	10.2 million
Bolivia	9.1	8.9
Brazil*	21.3	10.6
Chile	11.2	11.1
Colombia	17.2	15.1
Costa Rica	5.7	6.4
Dominican Republic	5.6	6.0
Ecuador	12.2	6.4
El Salvador**	6.7	1.9
Guatemala	5.9	4.8
Haiti	.6	.9
Honduras	5.9	6.3
Mexico	7.4	7.2
Nicaragua	8.3	2.2
Panama	12.9	6.1
Paraguay	4.0	3.1
Peru	24.0	19.7
Uruguay	8.0	7.4
Venezuela	2.1	.6
U.S. Dollars	.9	
Unalloted (returned to IDB)	5.5	0
Total	$191.9 million	$134.9 million

*The Brazilian Government did not permit the IAF to fund in Brazil from December 1977 to May 1983.

**By resolution of the IAF Board of Directors, funding was suspended in El Salvador from CY 1976-1978 and CY 1980-1984.

ATTACHMENT I

SPTF FUNDS AVAILABLE
OCT., 1986 - DEC. 1988

COUNTRY	AMOUNT ($ in 000)
Argentina	$7,907
Bolivia	1,704
Brazil	4,505
Colombia	717
Costa Rica	181
Dominican Republic	475
Ecuador	3,741
El Salvador	6,015
Guatemala	3,296
Haiti	77
Honduras	1,343
Mexico	53
Nicaragua	6,085
Panama	2,776
Paraguay	310
Peru	2,071
Uruguay	1,477
Venezuela	4,729
U.S. Dollars	746
TOTAL	$48,208

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Attachment II

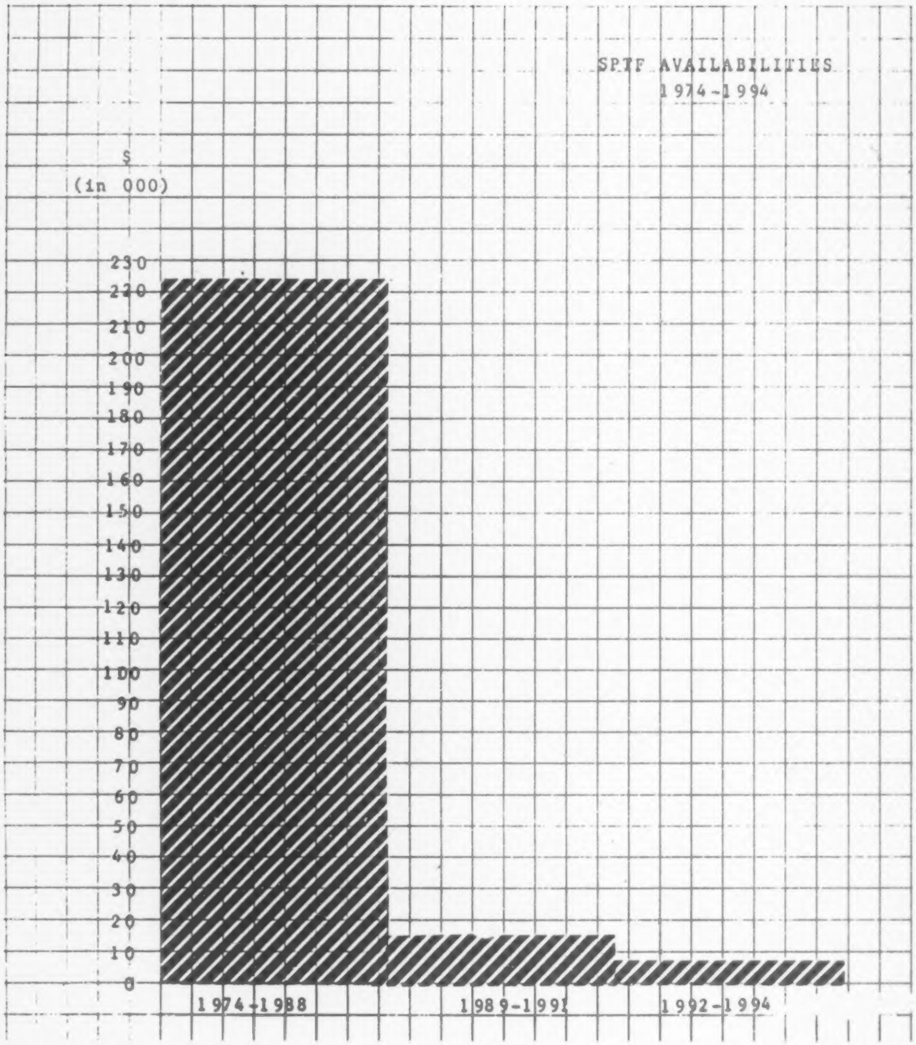
SOCIAL PROGRESS TRUST FUND (SPTF)
(Annual average; thousands of dollars)

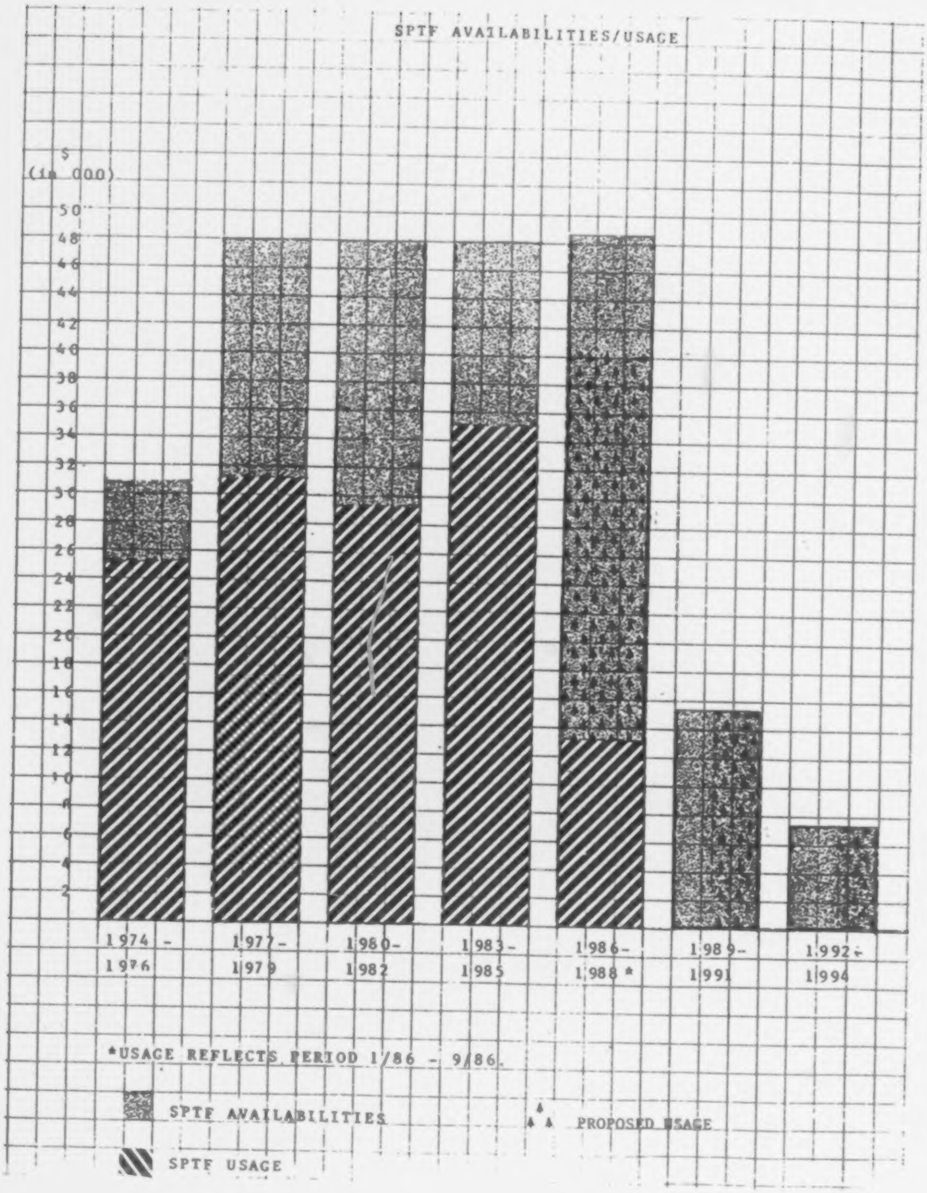
	Available to IAF under agreements				TOTAL SPTF	
Country	1977-79	1980-82	1983-85	1986-88	1989-91	1992-94
Argentina	$1,468	1,768	1,500	2,567	330	228
Bolivia	333	800	733	500	491	288
Brazil	1,900	783	1,800	1,800	2,345	757
Chile	2,033	-	-	-	-	-
Colombia	1,767	1,800	1,500	383	561	198
Costa Rica	67	667	1,100	183	305	82
Dominican Rep.	800	633	333	233	173	12
Ecuador	733	950	1,767	1,006	970	463
El Salvador	67	700	500	2,047	1,594	1,127
Guatemala	167	767	633	973	970	594
Haiti	-0-	100	67	37	-0-	-0-
Honduras	33	833	333	603	131	82
Mexico	-0-	1,333	700	-	304	86
Nicaragua	-0-	700	1,267	1,947	240	94
Panama	1,733	933	833	572	56	-0-
Paraguay	333	450	267	83	248	248
Peru	3,533	1,933	2,100	657	586	78
Uruguay	1,033	850	567	333	382	-0-
Venezuela	-0-	-0-	-0-	2,003	-0-	-0-
U.S. Dollars	-0-	-0-	-0-	292	754	520
TOTALS	$16,000	$16,000	$16,000	$16,219	$10,440	$4,857

NOTE: 1977-1988 figures are for only IAF's share of SPTF under past and current agreements. The current 1986-88 agreement gave IAF about half of total SPTF. Figures for 1989+ are estimates of total SPTF availabilities.

A&F/B; 0739F; 9/17/86

Attachment III


SPTF AVAILABILITIES
1974-1994
$
(in 000)
230
220
210
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
1974-1988
1989-1991
1992-1994



*USAGE REFLECTS PERIOD 1/86 - 9/86.

NOTES:

1. The IAF was not permitted by the Brazilian Government to fund in Brazil from Dec. 1977 - May 1983.
2. By resolution of the IAF Board of Directors, funding was suspended in El Salvador from CY 1976-1978 and CY 1980-1984.
3. It is estimated that approximately \$8.5 million of the \$48.7 million allocated in the CY 1986-1988 agreement will not be used. These funds are located in El Salvador and Nicaragua.

FOUNDATION ANNUALS

Senator INOUYE. Thank you very much, madam.

Ms. SZEKELY. I see you have the Foundation's Fellowship Directory. I also have the Foundation's 1986 Annual Report to hand out.

Senator INOUYE. Recently we received this.

Ms. SZEKELY. It has just been published, and here is a copy of the Annual for you.

Senator INOUYE. It provides a list, I believe, of 402 fellows who received support. Monetarily, how much did these 402 receive?

Ms. SZEKELY. I know the current budget is \$420,000, but over the past 16 years, how much?

Mr. MASHEK. It is around \$500,000 a year, and over 12 years, so that is about \$6 million. That is a rough estimate.

Senator INOUYE. I notice that most of the fellows are American citizens.

Ms. SZEKELY. That is correct.

Senator INOUYE. What happens to the product of their research? Are they put to use?

Ms. SZEKELY. That is what I am very pleased about. One, this directory is a first step research product. The Foundation has never had a complete Fellowship directory. The Foundation is now obtaining abstracts of all the doctoral theses and publishing their essence, so that this can go to people who work in Latin America, so they don't have to reinvent the wheel.

They can contact the Foundation and say, "We would like to have more information about this or that study." This is one of the exciting things about being in a foundation and coming with a fresh eye and saying, "More people should share this information."

LATIN AMERICAN FELLOWS

Senator INOUYE. Are the Latin American fellows returning to their countries?

Ms. SZEKELY. Yes, invariably. The Latin American fellowship program, incidentally, is comparatively recent. The proportions will grow, because at this time the American Fellows are a larger percent.

SOCIAL PROGRESS TRUST FUND

Senator INOUYE. On the social progress report, the Foundation has drawn upon the resources of this trust fund to finance your activities. The trust fund itself has been financed by a reflow of payments on prior years' loans to Latin American countries. Unfortunately, the trust fund is declining in value. How will this affect the foundation?

Ms. SZEKELY. It will be very grave because the majority of the Foundation's funds, which are used for money grants, comes from this fund.

Senator INOUYE. It is going to be depleted soon.

Ms. SZEKELY. Yes, and we are working to get as exact a picture as possible of exactly when it will be depleted; how long; and then the Foundation will look to Congress and OMB because—I think that the Foundation is very important and needs to be funded.

So the Foundation wants to give you as much notice as possible to resolve the whole situation.

Ms. SZEKELY. It is a real problem.

THE BOARD OF DIRECTORS

Senator INOUYE. About 2 years ago, I learned of an attempt by certain members of the Board of the Foundation to limit the freedom and authority you need to assure that the Foundation adheres to its congressional mandate.

I understand once these members realize the importance of the Foreign Operations Subcommittee and others attached to the independence of foundation, they are assisted with their efforts. What is the present situation? Do you have sufficient freedom of action and authority?

Ms. SZEKELY. At the present, I have been able to maintain it. It is something I jealously treasure, because without freedom the CEO really can't do the job that you expect, and I fight to maintain independence at all times.

COLLABORATION WITH THE PEACE CORPS

Senator INOUYE. In November of 1984, the Foundation and the Peace Corps signed a memo of understanding which encourages, "joint efforts to plan, coordinate, promote, analyze and implement programs and projects that enable the less fortunate peoples of Latin America and the Caribbean to improve their quality of life."

Have you found this arrangement with the Peace Corps to be a good one?

Ms. SZEKELY. In theory, it is excellent. I signed that agreement within 3 months of my appointment as President. They have steered a number of projects to the Foundation because they have people in the field, and the Foundation has money. The Foundation continues to have a number of projects using Peace Corps people as monitors and consultants. They are exemplary people, as you are aware, very thorough and do a very nice job.

FELLOWSHIPS

Senator INOUYE. On the fellows, fellowships that you have been providing $.5 million a year, it is not a big about amount, but why aren't you trying to seek out more scholars south of the border for these programs?

Ms. SZEKELY. The Foundation is doing that. The program is having a direct impact. But it is much more expensive for a Latin American scholar going to attend an American university and so the Latin program is the most expensive. Since there is less fellowship money available, fewer fellowships can be awarded. The Latins have done an exemplary job. Their theses have been very appropriate to development, and they have gone back to their countries and played major roles, which continue to be emphasized.

Senator INOUYE. You have included in your statement projects supported by the Foundation that include leadership or business training.

Ms. SZEKELY. That is correct.

IN-COUNTRY SERVICES

Senator INOUYE. Coordinated and managed by the grant recipient. I think the committee would be pleased to learn of this. What does the Foundation do to ensure that the grant recipients can meet the recurring costs of the project?

Ms. SZEKELY. There are several steps that have been taken. The first one is called in-country services, which has been in place almost 2 years. It is, again, something I initiated. The Foundation used local talented people, who have more skills than the majority of the grass root grantees. To give you an an example, before a grantee receives money from the Treasury, through the Embassy, and it takes about 2 months until they actually have it in their hands; someone will meet with the grantee and see if they know how to set up books. If not, this will be arranged, sometimes it is a moonlighting bank employee, someone to come and help them set it up. But they will be helped in planning what to buy first, what to buy second, if they're not capable of it.

But they aren't just told, "This is what you do." They are encouraged, saying, "Now, what are you going to do, and how are you going to handle this?" The Foundation helps the participants, and it is very exciting.

These same in-country service people visit the projects on an average of four times a year. For instance, the indian projects in Ecuador, the Chimarasco, the man actually lives in Chimarasco and visits the projects every 2 or 3 weeks. They may need more than quarterly visits.

Senator INOUYE. Once the project is established, you want to see it continue.

Ms. SZEKELY. That is the whole idea of development, its lasting effect.

RECORD OF SUSTAINING SUCCESS

Senator INOUYE. What is your record of sustaining success?

Ms. SZEKELY. One of the things I do when I travel, and I have been in 10 countries last year and eight this year, I like to see projects that have ended and see what is there; is this still the truck that the Foundation paid for and who owns it. The record is good.

This year the Foundation is doing something it has never done before. Fifty-one percent of last year's projects will be site visited. The project close-outs that have been done when a project ends have been drawn more from file records and an annual visit than actually seeing who owns what, where it is, what the plans were. In addition to helping the grantee, the Foundation has begun making partnership grants.

If the grantee needs a little more administrative help after 3 years, but the project is not really firm, the Foundation will pay up to a third or half of the salary of the one or two key people who will help the grantee until the people involved are really ready to walk on their own.

So what makes the Inter-American Foundation different is its exemplary staff. They are really involved and committed, and it is just not a matter of giving away money; it is the fruits of the money, and they want the fruits to last.

GRANT SIZE AND PURPOSE

Senator INOUYE. Speaking of money, you have indicated that the average grant is between $60,000 and $65,000?

Mr. MASHEK. Sixty-four.

Ms. SZEKELY. For 2 years, so it is only $32,500 per year.

Senator INOUYE. What is the largest you have provided?

Ms. SZEKELY. It is an exciting one, the largest grant in my two and a half years, and perhaps one of the largest over the years; for a business school located in Costa Rica. This business school worked with the Foundation to develop a case study. In this case study, I went to one of these in Panama where there were 35 people who had businesses of their own, some growing and distributing coffee, and these grants are success stories.

Senator INOUYE. The side grant is $1,250,000, just over 34 years, and training of small businessmen.

Ms. SZEKELY. And women.

Senator INOUYE. And small farmer cooperatives and non-profit developments are on these reservations.

Ms. SZEKELY. It is very exciting, because they are willing. Here they have been feeding and training the big bankers and government officials, and now they are interested in getting into restaurants, and so we have been able to help them.

The second largest grant the Foundation has awarded during my tenure is in Haiti. This was done a year before Duvalier fell, so in other words, the Foundation was taking risks. It was discussed with the U.S. Ambassador and other people. So when Duvalier left, the program was already in place providing literacy training in the local language. Ninety-two percent of the people do not speak French, they speak their own language, their own creole, and so they are now learning to read using appropriate literature.

It is not a regular literacy course, but is intended to develop the maximum amount of literacy in the shortest time including learning how to count, do some reading, and sign their names.

Senator INOUYE. So you believe that this is money well spent?

Ms. SZEKELY. Definitely. I don't know anything that is better spent. Incidentally, the Foundation's overhead, prior to Gramm-Rudman, was 15 percent. With Gramm-Rudman, it became 18 and a half percent due to the loss of program funds. But I think the Foundation is enormously effective, and I am very pleased.

Senator INOUYE. We shall do our best to support you.

Ms. SZEKELY. Thank you very much.

SUBMITTED QUESTIONS

Senator INOUYE. The subcommittee has additional questions of each of today's witnesses. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the witnesses for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE TO AMBASSADOR MOORE

REFUGEE PIPELINE

SENATOR INOUYE: Ambassador Moore, as I noted in an earlier question, the Subcommittee has learned to pay attention to the number of INS approved refugees who are in processing centers. This figure is often referred to as the "year-to-year carryover."

What can you tell the Subcommittee of our efforts to process refugees, particularly those in Thailand?

Have first asylum countries blocked access to refugees and thwarted our efforts to process them?

ANSWER: Generally speaking, we have had excellent cooperation from countries of first asylum in Southeast Asia. We have had some difficulty in getting access to a group of land Vietnamese at Site II on the Cambodian border. After repeated requests over a period of months we were recently granted access.

INS STAFFING

SENATOR INOUYE: Has the Immigration and Naturalization Service (INS) provided adequate staff resources to process refugees in Thai border camps?

ANSWER: Yes, at the request of the Bureau for Refugee Programs and myself as Coordinator, INS provided four additional officers for 60 days to process refugees in Thailand. They arrived in Bangkok on January 6, and processed lowland and highland Lao.

SENATOR INOUYE: Are these experienced personnel? I have heard that their rate of rejection of those seeking refugee status is 65 percent and higher. Is that correct?

ANSWER: The four additional officers sent to Bangkok were experienced INS personnel. Denial rates vary. The rate for highland Lao has consistently been less than 5%. For lowland Lao, the overall denial rate for FY1987 to date is 40%. We believe the higher denial rate for lowland Lao reflects the difficulty that many in this group have, twelve years after the war, in demonstrating a well-founded fear of persecution. Moreover, the rate has risen steadily, from 23% in November to 59% in February. We believe that this trend reflects 1) the processing of many of the more highly qualified cases early in the period and 2) the expansion of processing later in the period to include P-5 cases, who often have more difficulty than P-1 through 4 in demonstrating that they meet the refugee definition.

SENATOR INOUYE: We want to maintain the year-to-year carryover figure at a steady level.

How many INS agents are in Thailand now? How many should be there now in order to meet the carryover target of INS approved refugees?

ANSWER: INS staff in Bangkok includes a District Director, an Officer in Charge and four additional officers. I will continue to work closely with INS to attempt to ensure that adequate staffing levels are maintained.

CARRYOVER OF INDOCHINESE REFUGEES

SENATOR INOUYE: Can you assure the Subcommittee that the carryover figure for FY1988 will be no less than that for FY1987?

ANSWER: The carryover figure for FY1988 will be less than that for FY1987. This is appropriate, since the admissions ceiling for FY1988 is expected to be less than that for FY1987. (While the actual ceiling will be set by the President in consultation with Congress, the budget planning figure is 27,000--5,000 less than the ceiling for FY1987.)

The size of the pipeline consists essentially of those refugees who will be moved from first asylum camps into the refugee processing centers between early May and the end of September. The number will depend on several factors which are not precisely known at this stage: the number of arrivals, continued permission from first asylum governments to interview and move the refugees, and INS staffing levels and approval rates.

I have tried to provide a fuller description of the carryover and admissions issues in my testimony before the Subcommittee.

HATFIELD BILL

SENATOR INOUYE: Ambassador Moore, my colleague, Senator Hatfield, has introduced legislation calling for a U.S. commitment to a refugee resettlement program for Indochinese refugees for three more years, along with a commitment to maintain an admission level of 30,000 per year.

Does the Department have a position on this proposal?

ANSWER: The Administration does not have a position to communicate at this time. The bill proposes several fundamental changes in the current system of refugee admissions and will require an interagency review within the Administration.

We have read the text of the bill in the Congressional Record, and we look forward to an opportunity to learn more about its objectives. In general, we are opposed to earmarkings -- both for funding levels and for admission numbers -- which limit the President's flexibility in conducting foreign policy. With specific reference to the proposed admissions ceilings, we would note that this provision will have to be considered in the context of the annual consultations between Congress and the Executive Branch mandated by the Refugee Act of 1980. The annual refugee ceiling is determined in light of changing situations and may be limited by current year authorization and appropriations actions. Thus, the 28,000 and 8,500 subprogram ceilings established in the bill would represent a varying and perhaps disproportionate share of any year's total worldwide ceiling.

SENATOR INOUYE: Do you think it would encourage the Thais to provide a more hospitable environment for refugees currently in Thailand?

ANSWER: It is certainly essential that Thailand be assured of the continuing U.S. commitment to respond to the Indochinese refugee problem, and U.S. resettlement is a crucial way of accomplishing this. This is one of the priorities in our diplomatic relations with Thailand and with the other first asylum countries in that region. We do not believe, however, that legislation is necessarily the best way to convey that assurance, nor do we wish to give the impression that the U.S. resettlement program is the only appropriate response to the refugee problem in Thailand. The Thai Government's willingness to continue its generous policy of first asylum depends on a number of other factors, including the assistance provided by international organizations and the resettlement programs of other nations as well as our own.

VIETNAMESE AT SITE TWO

SENATOR INOUYE: Ambassador Moore, in report on fiscal year 1986 appropriations for foreign assistance, the Senate Committee on Appropriations said:

> The Committee calls upon the Department of State to take urgent and extraordinary steps to remove the overland Vietnamese (now at the Site 2 camp in Dong Ruk) to a safe haven, either in Thailand or in another location, where they may be joined with other Vietnamese refugees.

What has your Department done, sir, to ease the plight of these refugees, many of whom fought at the side of our men in Vietnam?

Mr. Ambassador, in my judgement, the fact that these refugees remain in a barbed wire enclosure, surrounded by other refugees of a hostile ethnic group, is nothing less than a national disgrace.

I know that you are new to your position and so I do not hold you personally responsible. I do however, want you and the Department to know that, as Chairman of this Subcommittee I intend to find a way to make it worthwhile for the Department to resolve this problem.

ANSWER: We have vigorously pursued this issue with the Thai and also are disappointed that the Thai Government has not acceded to requests to move this vulnerable population to safer location. About 3,600 land Vietnamese remain in a separate section of Site Two South.

For the record I would like to point out, however, that day-to-day living conditions for the land Vietnamese at Site Two are much improved. Nonetheless, given traditional Vietnamese-Khmer animosity, we remain concerned that the land Vietnamese at Site Two are at greater risk than the Khmer population in the event the camp becomes a military target. We will continue our efforts to have them relocated.

Nevertheless, no matter where this group is located, we intend to continue to process those who are eligible for U.S. refugee resettlement. At our request, the Thai Government has allowed us access to this population for another round of interviews. We have expanded our processing to include Priority Six cases with category claims. Screening began on March 16, and INS will begin interviews in late April.

QUESTIONS SUBMITTED BY SENATOR HARKIN TO AMBASSADOR MOORE

EFFECTS OF REDUCED FUNDING ON ARRIVALS TO STATES

SENATOR HARKIN: The Administration's request for Migration and Refugee Assistance for FY 1988 is $314.5 million, a decrease of $32.4 million -- or about 10 percent -- from the FY 1987 appropriation. The program for refugee admissions (which helps settles refugees in the U.S.) was reduced from $108 million to $94 million.

Ambassador Moore, what will be the impact of this reduction in funding for refugee admissions on the states, which as I understand it, share in the costs of settling incoming immigrants?

ANSWER: The overall reduction in the admissions account from $108.7 million in FY 1987 to $94.5 million in FY 1988 reflects a decrease in admissions numbers from 66,000 to an estimated 55,000.

Domestic voluntary agencies (of which the State of Iowa's Refugee Service Center is one) are provided a $560 per capita grant to deliver initial resettlement services to newly arrived refugees. Any decrease in refugee admissions would not affect the amount of the per capita grant. Rather, reduced admissions would result in a corresponding decrease in total per capita monies required for resettling refugees under the Department of State's Reception and Placement Program.

State social service programs for refugees (such as job services, language training, and public assistance) are funded by the Office of Refugee Resettlement (ORR) of the Department of Health and Human Services. There is close coordination between the two Departments to ensure that ORR's budget request is based on the State Department's projection of refugee admissions for a specific fiscal year. Therefore, the decrease in refugee admissions projected for budgetary purposes for FY 1988 will most likely be reflected in decreased social service and cash and medical assistance funding in the ORR budget request.

ADMISSIONS REDUCTIONS

SENATOR HARKIN: I notice a reduction in admissions, totalling 11,000 from this year to next. From which regions in the world do you see these reductions occurring?

ANSWER: The actual worldwide ceiling and the actual regional ceilings will be established by the President, as required by the Refugee Act of 1980, after consultations with the Congress shortly before the commencement of FY '88. However, for purposes of budget formulation, proposed regional ceilings, within a worldwide admissions ceiling of 55,000, were estimated as follows:

	FY87 Consultations	FY88 Estimates	Reduction
AFRICA	3,500	3,000	500
EAST ASIA/			
FIRST ASYLUM	32,000	27,000	5,000
ODP	8,500	8,500	0

EASTERN EUROPE	10,000	9,000	1,000
LATIN AMERICA	4,000	1,500	2,500
NEAR EAST/ SOUTH ASIA	8,000	6,000	2,000
	66,000	55,000	11,000

No reductions were proposed for the Orderly Departure Program from Vietnam.

SALVADORAN REFUGEES

SENATOR HARKIN: To handle Salvadoran refugees returned to Salvador, the U.S. has contracted a private firm, the Intergovernmental Committee for Migration (ICM). ICM, which services refugees worldwide, acts as a reception and counseling service. The FY 1988 request for ICM totals $5.7 million.

What are the functions and activities of ICM in El Salvador? How many refugees does it handle? What are the monthly figures for returnees?

ANSWER: The Intergovernmental Committee for Migration, which is an international organization, provides refugee transportation, counseling and technical programming services for member governments worldwide. In El Salvador, ICM administers, among other things, refugee resettlement programs for the governments of Canada and Australia, a reception and counselling service for Salvadorans returning from the United States, migration research and technical cooperation activities.

With a grant from the U.S. Government, ICM established in 1984 reception facilities at the San Salvador airport and in the city proper to meet and assist persons returning from the U.S. ICM offers these returnees, on a voluntary basis, inland transportation, temporary accomodation, limited material assistance as necessary, and food for several days. If individuals wish, they are referred to existing camps for displaced persons.

From December 1, 1984 to September 30, 1986, ICM met 8,557 returnees at the airport, of whom 7,813 requested direct ICM assistance. Through this program, ICM assists approximately 400 persons per month.

SENATOR HARKIN: In the midst of the current and continuing economic crisis in Salvador, how successful have the refugees been at finding employment? What has the ICM found about the safety of returnees? What is the methodology of their reporting? How accurate are their findings?

ANSWER: Returnees who have been deported from the U.S. are given questionnaires and asked to mail them back to ICM on a periodic (and voluntary) basis in order to inform ICM of their well-being. This program, reinforced by extensive privately-contracted follow-up surveys for those who do not return the questionnaires, enabled ICM to track 3,812 persons, or 79 percent of the 4,822 persons who returned from December 1, 1984 to December 1, 1985. These efforts produced no evidence that deportees are singled out for punitive action.

The large majority of the returnees indicated as primary motives for their departure the poor economic situation in El Salvador and the wish to find employment abroad. Some 25% of those

returnees located by ICM through relatives or friends had again left El Salvador for the United States or other countries.
A number of returnees have gone through the ICM facilities more than once, one having made the trip to the U.S. seven times. We have no further information regarding returnees' success in finding employment at home.

The ICM activities produced no evidence that deportees from the U.S. were singled out for punitive action. It was reported to ICM that two returnees had been killed--one in a dispute over a football game in a bar and the other in the process of robbing a store. In both cases, specific investigations were made which corroborated these findings. Earlier this year one of the returnees was reported to have committed suicide. An investigation of this incident made a final determination that the death was indeed a suicide. The individual in question had been deported four times from the U.S but had never applied for political asylum.

The findings of the surveys and the questionnaire replies cannot be considered a scientific data base upon which to construct definitive analyses of situations of returnees after a given period of return. The information gained does, however, show general trends in the situation of those returnees who could be located.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI TO AMBASSADOR MOORE

RATION CARD HOLDERS IN KHAO-I-DANG

SENATOR MIKULSKI: What percentage of ration card holders at Khao-I-Dang (KID) have family in the U.S. or other affiliations with the U.S. government, businesses, etc, and why has the U.S. been unwilling to process these ration card holders?

ANSWER: The ration card holders, estimated at 7,170, are Khmer who entered KID illegally after August 26, 1984. They were later issued food ration cards by the Royal Thai Government, but were not were not given refugee status.

The status of the ration card holders is considered by Thailand as equivalent to that of the displaced Khmer at the border. Therefore, the ration card holders, like the border Khmer, are not now being considered for U.S. refugee resettlement. There is one exception to this--in our effort to avoid dividing families, we have already authorized the processing of ration card holders who are close family members of Khmer in other categories (e.g., family card holders) who have been approved for admission to the U.S.

Since we have not surveyed the ration card holders, we do not have reliable statistics on how many of them have family in the U.S., or affiliation with the U.S. government or business. The only statistics we have are the number of those who have approved immigrant visa petitions.

The ration card holders, along with the original KID residents and family card holders who have been rejected for refugee status can, if eligible, be considered for the limited program of immigrant visa and humanitarian parole processing which the Department of State and INS have undertaken for Khmer on the border. As of March 31, 1987, 67 ration card holders have been interviewed and approved under this program. There are, in addition, another 11 ration card holders who have current immigrant visa petitions and may therefore apply for immigrant visas; and 112 who have non-current immigrant petitions and can thus apply for humanitarian parole. Our Embassy has requested the Thai Government to give us access to interview all 123.

As more Khmer in the U.S. become naturalized U.S. citizens and able to file immigrant visa petitions for their relatives, we expect a continued gradual increase in the number of ration card holders eligible to enter the U.S. through our immigration and parole program.

BORDER PROTECTION

SENATOR MIKULSKI: Does the U.S. support efforts to bring the border population in Thailand under UNHCR protection, and if not why not?

ANSWER: The UNHCR has indicated to us that it is not prepared to assume such a role unless the UN Secretary General designates it as the appropriate agency for overall border protection. There are no indications that the Secretary General wishes to make a change nor have we encouraged him to do so.

We doubt that transferring protection responsibilities to the UNHCR would result in any significant improvement in protection for displaced Khmer. While the legal mandates for ICRC and UNBRO may technically differ from that recognized for UNHCR, the protection methods open to these organizations are basically the same and require the cooperation of both the Thai Government and the displaced Khmer leadership. While there are still problems, we have no reason to believe that the UNHCR would be more effective in dealing with protection of border Khmer. Indeed, a change in organizations at the border might be disruptive and thus counterproductive to improving protection for displaced Khmer.

Although there are problems at the major border encampment known as Site Two, the overall arrangement for protection of displaced Khmer has improved. In safeguarding displaced Khmer civilians from the major protection concern -- Vietnamese military attack -- we believe the Thai, UNBRO and the ICRC have done a credible job. They successfully have separated armed elements from the Khmer civilians to reduce the pretext for a Vietnamese attack. ICRC and UNBRO regularly report to the Thai those instances where there is evidence of official Thai mistreatment of displaced Khmer and the Thai have been responsive. The Thai recently reorganized security personnel assigned to the encampments and are working to improve discipline within these paramilitary units.

The Thai Government has a role in ensuring security for the border encampments. Nonetheless, we believe the key to improving protection for border Khmer rests with the Khmer themselves. As you know, many of the protection problems at the border occur at or near Site Two, which unlike the other border sites, is highly factionalized. The other border encampments have good internal security records.

The majority of "protection" problems at Site Two involve crime associated with black market activity. None of the international organizations working at the border are police forces. This security function properly falls to the Khmer leadership. We know that the Thai have been more demanding of the Khmer in this regard as have the international organizations. As to our own role, the US has funded projects through UNBRO designed to enhance internal security at the encampments. We are also encouraging the Thai and the displaced Khmer to establish a legal cooperative market at Site Two -- a step which we believe will reduce security problems at that location. The Thai Government has also agreed in principle to allow international organization personnel to be present overnight at the camp.

REJECTED KHMER IN KHAO-I-DANG

SENATOR MIKULSKI: What is being done for the 4,000 persons at Khao-I-Dang who have family in the U.S. but who have been rejected for immigrant or refugee resettlement to the U.S. ?

ANSWER: The Ray Commission, on which I served, had made a recommendation to the Secretary of State that some kind of further review of the so-called denied Khmer population be undertaken.

I have been assigned the responsibility for follow-up on the Ray Commission recommendation in regard to the rejected Khmer. I have this issue under careful consideration and will make my views known soon.

However, members of this group can be considered for the limited program of immigrant visa and humanitarian parole processing if they have relatives in the U.S. who are eligible to file immigrant visa petitions. At the start of this program, there were 14 denied Khmer with approved immigrant visa petitions on file in the Embassy in Bangkok. Currently, there are less than 6 denied Khmer with petitions outstanding.

As with the ration card holders, as more Khmer in the U.S. become naturalized U.S. citizens, and are able to file immigrant visa petitions for their relatives, we expect an increase in the number of rejected Khmer eligible to enter the U.S. in immigrant or parole status.

QUESTIONS SUBMITTED BY SENATOR KASTEN
TO AMBASSADOR MOORE

BORDER KHMER

SENATOR KASTEN: Ambassador Moore, the reports that we are receiving out of the camps along the Thai-Cambodian border say that many of the refugees are in a state of despair, a despair which is blamed on a slow U.S. Government action on allowing settlement into the United States. What is your understanding of the program, the attitude of the refugees, and the attitude of the Thai Government toward those refugees, and how do you plan to proceed on this problem this year?

ANSWER: There are approximately 267,000 Khmer in evacuation sites (camps) along the Thai-Cambodian border. The Thai Government officially closed their border with Cambodia in 1980. Khmer who gathered along the Thai-Cambodian border after that date were accorded the status of displaced persons, rather than that of refugees, and provided sanctuary, care, and support in camps maintained by the United Nations Border Relief Operation (UNBRO). During the winter of 1984-85, attacks on the border camps by the Vietnamese army occupying Cambodia necessitated the relocation of the camp residents, by UNBRO and Thai authorities, to "evacuation sites" located wholly on Thai territory.

The international community (including UNHCR) and the Royal Thai Government recognize these persons as displaced persons. UNBRO continues to provide them food, shelter, and other support until conditions permit their safe return to Cambodia. Their status as displaced persons does not permit these persons to be resettled in third countries as refugees. Most of the displaced Khmer do no wish to be resettled because they hope to return to Cambodia when conditions permit. Nevertheless, if a resettlement program were to be established, it might encourage additional people to leave Cambodia in hopes of being resettled, resulting in a continuing, or even increased, heavy burden on Thailand and the international community.

We have a limited program to reunite, primarily through immigration channels, Khmer from evacuation sites with their close family members already in the U.S. This program includes only those eligible for immigrant visas or "Visas 93", plus selected use of humanitarian parole.

The Immigration and Naturalization Service considers humanitarian parole, on a case by case basis, for non-current immigrant visa petition beneficiaries and for persons who are related to and dependent upon beneficiaries of Visas 93 and current or non-current IV immigrant visa petitions.

However, this program has not proceeded as rapidly as we would like. One factor which delays processing applicants is the slowness of the Thai authorities in granting us access to interview applicants and then move approved cases. While the reasons for this are not entirely clear, there may be some Thai fear of a "magnet effect" which would attract more Cambodians across the border. Our Embassy in Bangkok continues to work to get improved access to interview people and move them from the border area. We continue to stress to Thai officials in both official and personal contacts the humanitarian aspects of our desire to reunite these Khmer with their relatives in the United States. The Thai are also aware of the high degree of Congressional and public interest this program has aroused in the United States.

We have undertaken an active effort to advise potential sponsors in the United States to obtain U.S. citizenship and file visa petitions for their relatives as soon as they are eligible, so that they can obtain the earliest possible visa priority date for their relatives in Thailand. We are getting the cooperation of the voluntary resettlement agencies and Khmer mutual assistance associations in the United States in disseminating this information.

The Department of State is cooperating with the Outreach Office of INS and local voluntary agencies in presenting workshops explaining how refugees resettled in the U.S. may adjust status, apply for citizenship, and file petitions for their relatives. Workshops have been held in Washington, D.C., Mobile, San Diego and Los Angeles. Others are scheduled for Dallas and Houston this month. In San Diego and Los Angeles Congressional staff members from local offices were invited to participate with staff from voluntary agencies and mutual assistance associations.

REQUEST FOR ADDITIONAL POSITION

SENATOR KASTEN: You are requesting one additional person, what for?

ANSWER: The Bureau for Refugee Programs requested an additional position for FY 1987. No additional positions are requested for FY 1988.

DISTRIBUTION OF $15 MILLION OF CUTS

SENATOR KASTEN: I don't know of any support here in Congress for your proposal to slash the contribution to the program for refugees going to Israel. In fact, I'm fairly certain that we will provide the same amount for that program in fiscal year 88 as we did in fiscal year 87. My question to you, therefore, is where would you suggest that we take that funding from -- I ask you this question because I don't see us increasing the overall amount and surely we would like to have your views on which of the other programs we should cut in order to restore this reduction. I would note that you are suggesting that this program absorb nearly half of the cuts that you've made to the entire program over the last year, and Congress simply isn't going to buy that, so from where would you like us to take the $15 million.?

ANSWER: The Administration projected a decrease in the grant to the United Israel Appeal from $25.0 million in FY 1987 to $10.0 million for FY 1988 because the situation requiring extraordinary expenses in FY 1985-1987 will not continue into FY 1988.

For the past three years, the Jewish Agency for Israel, which carries out the programs supported by the U.I.A., had unusually high costs in connection with the initial absorption of 15,000 Ethiopians, most of whom came to Israel in 1984 and some of whom came in the period 1980-1983. These expenses included one-time costs for special educational and vocational training programs, and for care and maintenance in absorption centers. By FY 1988, nearly all of the Ethiopians will have completed the initial absorption process.

In FY 1981-84, when the program was not experiencing the unusually high costs mentioned above, annual U.S.G. grants to the U.I.A. averaged $12.5 million. During this period, Migration and Refugee Assistance (MRA) overall funding requests averaged about $400 million annually. In FY 1988, we are anticipating abatement of the high cost Ethiopian needs and a total MRA budget of no more than $314 million. A $25 million funding level for the U.I.A. needs to be examined in the context of the reduced total budget resources when the higher costs for the U.I.A. no longer pertain.

Furthermore, over 90 percent of the program's total resources are raised from private sources, with relatively low dependence on U.S. Government funding. The UIA budget for FY 1987 for refugee resettlement in Israel is $316 million--$2 million more than our projected resources for world-wide refugee needs in FY 1988.

The Administration carefully reviewed all of these factors, as well as pressing needs in other regions of the world for FY 1988. For instance, elsewhere in the world, $25 million is only a little less than our total Indochinese assistance program addressing the needs of over 100,000 persons annually. Our contributions to international organizations assisting Afghan refugees in Pakistan are less than $20 million for a population approaching 3 million. The U.S. admissions program can cover the needs of about 14,000 refugee annually for $25 million, compared to some 3,000 refugees who emigrated to Israel last year.

I am not prepared to volunteer any areas in our request which should be cut. Obviously, the overall request is already spartan, and the impact would be severe. We already have to admit 11,000 fewer deserving people to the U.S. Our assistance dollar request has remained about the same, while the number of refugees worldwide is not going down, and inflation and the drop in the dollar reduce the real value of our request compared to previous years.

Let me give you some examples of how far the $15 million you propose to cut from other programs could go towards meeting refugee needs. Fifteen million dollars can admit about 9,000 refugees to this country. Our contribution to UNHCR in Southeast Asia and our entire Latin American assistance program are each about $15 million. Fifteen million dollars is about one-quarter of the U.S. response to needs of almost 3 million refugees in Africa.

In any event, if the Bureau were to lose fifteen million dollars, we should at least have the flexibility to assess which program or programs would absorb the impact in light of assessments of actual needs once the fiscal year arrives, and make the best possible damage-limiting decision at that time.

As you know, the Administration urges the Congress to refrain from earmarks so that we can have adequate flexibility to respond to program requirements. The damage caused by earmarking one program is compounded by specifying a particular program which must be cut as a consequence. Nowhere is this more relevant than the refugee program where volatile political situations frequently play havoc with our best estimates of future needs.

UNRWA PROGRAMS IN SYRIA

SENATOR KASTEN: Ambassador Moore, The administration is suggesting once again that we contribute $67 million to the United Nations Relief and Works Agency for Palestine Refugees. As I understand it, that represents about 1/3 of the entire amount contributed to that organization. Is the U.S. the largest contributor to U.N.R.W.A.?

ANSWER: The U.S. Government is the largest contributor to UNRWA. We are also the largest contributors to UN High Commissioner for Refugees, the UN Border Relief Operation, the Intergovernmental Committee for Migration, and the ICRC special appeals. Our leading role in assistance to refugees through international organizations is a record in which this country should take pride.

Support of UNRWA represents not only our humanitarian concern for Palestinian refugees, but is our political concern for a program in the U.S. national interest. Assistance to UNRWA is a deterrent to terrorism: it supports moderate elements and prevents isolation and hopelessness among these refugees. The importance of education and economic self-sufficiency to a new generation of Palestinians cannot be underestimated. Furthermore, support of UNRWA signals our commitment to securing a just and lasting settlement in the Middle East. Finally, our ally, the Government of Israel, also has officially expressed its support for UNRWA and for U.S. funding for this organization.

Our $67 million estimate for UNRWA is projected to cover about 30 percent of UNRWA's total requirements in 1988. Other major Western donors are the EEC, Japan, Sweden, Norway, Italy, U.K., Canada, and Switzerland.

SENATOR KASTEN: How much do the Arab countries contribute? Does the Soviet Union contribute any funding to this organization?

ANSWER: Contributions from Arab governments to UNRWA in 1986 totalled about $9 million. However, the UNRWA Commissioner General has undertaken a major effort to increase contributions from Arab states. His efforts have not yet come to fruition, but we are hopeful that the efforts will, in time, result in broader support from Arab governments.

In addition to cash contributions to UNRWA, the Arab host governments (Jordan, Lebanon and Syria) incur substantial expenses relating to the Palestinian refugee population in their countries which run into millions of dollars annually. These are principally for education, social welfare, water, infrastructure, and medical services. There is no reliable information available quantifying this "in-kind" contribution.

The Soviet Union does not contribute to UNRWA.

SENATOR KASTEN: With respect to the U.N.R.W.A. contribution, obviously, some of our funding goes to support programs in Syria, a country which as you know is basically a Soviet client state with whom we have very poor relations. I'm interested in how, technically, contributions for U.N.R.W.A. programs in Syria are handled. For example, are the funds which go to U.N.R.W.A. in Syria funneled through the government of Syria, or any parastatal thereof -- and if so, assuming that local currency is used to support local programs for Palestinian refugees, what exchange rate does U.N.R.W.A. get, and how does that compare with exchange rates provided legally, as well as to the black market?

ANSWER: The beneficiaries of UNRWA programs in Syria are the

Palestinian refugees, mostly school-aged children and the elderly and vulnerable among the refugees, not the government of Syria or Syrian nationals. UNRWA funds are not channeled through the Syrian government or any Syrian affiliates, but are expended directly by the UNRWA field office in Damascus.

The rate of exchange for UNRWA (and for other U.N. and diplomatic missions) is 9.75 Syrian pounds to the dollar. The official exchange rate is 3.9 Syrian pounds to the dollar and the current black market rate fluctuates between 20 to 22 Syrian pounds to the dollar. While the Syrians have been pressing the UN and diplomatic missions to use the official 3.9 rate, UNRWA has put the government of Syria on notice that the Syrian pound is vastly over-valued at 9.75, and is pressing for a better rate.

OFFICE OF THE COORDINATOR

SENATOR KASTEN: You wear two hats, one is Director of the State Department's Refugee Program, and another is the Coordinator for Refugee Affairs for the U.S. Government.

That latter position was created some years ago~~,~~ so that there would be an independent coordinator of U.S. Refugee Programs. It never quite reached that status, largely because it was headquartered in the State Department, and the inhabitants of the position have tended toward State Department programs, so the other U.S. agencies have looked upon the program as a State Department vehicle. Now we have even lost any semblance of independence inasmuch as you hold both jobs.

My understanding is that the Coordinator's office has fourteen people and, frankly, while those fourteen people are not part of this appropriation I would think that they could be used better elsewhere, and that you concentrate your efforts on the State Department's Refugee Program, and that we forget about the idea of a Coordinator. It simply has not been implemented. What are your views?

ANSWER: The position of U.S. Coordinator and Ambassador-at-Large for Refugee Affairs, which is mandated by the Refugee Act of 1980 and is responsible to the President, remains separate and independent from the State Department's Bureau for Refugee Programs, despite the fact that I have been appointed to handle both. Current responsibilities and relationships of the two separate offices will remain largely as they have been. The new arrangement will assure a closer working relationship between the two entities and will maintain the independence of the Coordinator while strengthening his effectiveness.

I am examining carefully the personnel requirements of the Coordinator's office. My intention is to reduce the total number of this staff by up to one-third, which will result in some important savings. I will retain those positions which are essential to carry out the requirements of the Act. The Coordinator has important functions as spelled out under the Act which cannot be performed by the Bureau.

QUESTIONS SUBMITTED BY SENATOR INOUYE TO AMBASSADOR BREMER

WHEN THE POLICE THEMSELVES ARE DESTABILIZING

SENATOR INOUYE: Ambassador Bremer, when this program was originally justified to the Congress, it was stated that this proposal was necessary to thwart the plans of "groups seeking to destabilize the civilian government."

In Panama it is the military itself that has destabilized the government.

Panama is one of the nations approved to participate in the Anti-Terrorism Assistance Program.

What is this Administration's policy toward anti-terrorist training of police in nations where the police are controlled by the military and the military itself is a threat to stable civilian rule?

ANSWER: Panama, with the concurrence of the Department's Bureau of Human Rights and Humanitarian Affairs, was approved for participation in the ATA program and included in the original list of 38 countries sent to the Congress. However, no training has been offered to Panama and no plans exist to include Panama in the program.

We consider the ATA Program as a means of promoting or strengthening the anti-terrorist skills of civilian law enforcement agencies as a viable alternative to the military exercise of these functions. In most of the 44 countries participating in the program the police are completely civilianized. In those few cases where some connection to the military or ministry of defense exists, the police remain subject to ultimate civilian control. Should a situation develop where we faced a decision on training police controlled by the military in which the military itself posed a threat to civilian rule, we would stop our ATA training unless overriding national interests indicate otherwise.

REVIEW OF PERSONNEL TRAINED

SENATOR INOUYE: Ambassador Bremer, one of your principal functions is the training of personnel from developing nations in combatting terrorism. It is no secret that the police forces have been corrupted in certain nations where drug production or trafficking is prevalent.

What steps do you take to insure that the training in counter terrorism does not end up in the hands of narcotics related terrorists?

ANSWER: We have an established procedure under which all personnel proposed by a participating country are carefully screened by all U.S. agencies at our embassy there. In addition, participants' names and other pertinent data are passed for screening to the F.B.I., whose records also include Drug Enforcement Agency indices. We utilize embassy staff, including DEA personnel, to verify with their local counterparts that participants sent to the U.S. are suitable to receive and properly utilize the instruction received. We share the concern that no one be allowed to participate who should not do so and might reflect adversely on this very important program.

INCREASE IN TERRORISM

SENATOR INOUYE: Attached to your testimony is a chart entitled, "International Terrorism Trends." One aspect of that chart is striking. Between 1981 and 1985 terror incidents have increased by 45%.

This is the sharpest increase in terrorism since 1972.

Why has terrorism increased so dramatically during an Administration so firmly committed to combatting terrorism?

ANSWER: We cannot anticipate or control all of the elements which lead to terrorism. I would note, for example, that the increased fragmentation in Lebanon over the past several years has contributed to Middle Eastern terrorism.

Elsewhere, groups such as the Sendero Luminoso in Peru or the ETA Basques in Spain are influenced far more by local situations than policies set in Washington.

Nevertheless, I am convinced that our activities have prevented an even more serious growth of terrorism than has occurred. In 1986 alone:

- The diligence of the FBI and excellent cooperation with the Canadians almost certainly prevented the in-flight destruction of an Air India 747 targetted by Sikh terrorists.
- Good intelligence work and fast cooperation with the French prevented an attack on the consular section of the U.S. Embassy in Paris.
- Proper intelligence and liaison thwarted an attack on the U.S. officers club in Ankara, Turkey.

Multilateral cooperation has improved as well. The International Civil Aviation Organization (ICAO) has taken important steps to suppress air piracy. I think it worth mentioning that there were only two aircraft hijackings in 1986. Additionally, the International Maritime Organization (IMO) is actively working on steps to protect passenger liners from terrorism.

To summarize, I would say that while many factors are beyond the control of the U.S. Government, we are taking tangible, effective steps to combat terrorism.

NO NEGOTIATION WITH TERRORISTS

SENATOR INOUYE: On page 11 of your statement, you make the following comment:

"There is nothing, no case study, no example, to suggest that there is any permanent advantage in treating terrorists as other than criminals."

That statement is somewhat of an exaggeration, is it not?

As this Administration's leading expert on terrorism, can you help the Committee understand why this Administration did not follow this policy in attempting to trade arms for hostages?

ANSWER: No sir, I don't think it is an exaggeration, particularly if you emphasize the word permanent.

In answer to your second question, I believe that the Tower Commission Report had a detailed explanation of the genesis of the Iran/Contra affair.

FULL DESCRIPTION OF TRAINING ACTIVITIES

SENATOR INOUYE: On page 2 of your congressional justification you list the names of the types of training courses that are provided by the program.

Is this list complete?

If not please complete the list.

Please provide a copy of the summary of the course material and the table of contents of each training manual.

Is there any training provided in surveillance or counter intelligence?

ANSWER: The courses noted on page 2 of the FY 88 ATA Congressional Submission were meant only to be illustrative. They represent the types of courses provided through the ATA program. Over 30 courses have been made available to civilian officials from friendly foreign governments at one time or another since the program began in 1983. A more complete list of courses currently available or that have been offered at one time or another follows:

Advanced Civil Aviation Security
Airport Police Management
Anti-Terrorist Command and Control Procedures
Anti-Terrorist Immigration Control Procedures
Anti-Terrorist Protective Tactics
Anti-Terrorist Patrol Techniques
Anti-Terrorist Training Procedures

Bomb Recognition & Isolation
Building Security

Command Post Operations
Court Security

Dog & Handler Training for Bomb & Explosives Detection

Explosive Lab Internship

Forensics Lab Procedures for Anti-Terrorist Operations

Hostage Negotiation/Incident Scene Management
Human Rights and Human Relations

Improvised Explosive Device (I.E.D.) Render Safe/Removal
Incident Scene Management
International Civil Aviation Security

Maritime Security

Petroleum Facilities Security
Police Academy Development for Terrorist Related Courses

Post-Blast Investigation
Protective Security

Security of High-Risk Prisoners
Senior Crisis Management
Senior Law Enforcement Counter-Terrorism
Sky Marshal

Quick Response/Incident Scene Management/Hostage Negotiation

Terrorist Crime Scene Search
Terrorist Analysis

Vital Installation Security
VIP Protection

The Anti-Terrorism Assistance Program offers courses that are specifically tailored to meet the needs of particular participating countries. The types of courses offered can be divided into various categories.

-- Transportation Systems Security; courses in civil aviation security, maritime security and hijack crisis management.

-- Installation Security courses have included instruction on building security, as well as petroleum facilities security.

-- Personal Security includes a number of courses on various aspects of dignitary protection.

-- Explosives Management courses cover post blast investigation, bomb dog and handler training, as well as bomb recognition and isolation.

-- Hostage and Crisis Management courses have included incident scene management and hostage negotiation.

-- Anti-Terrorist Support includes a wide range of courses including terrorist analysis, immigration control, document examination, terrorist crime scene search, and anti-terrorist forensics.

Existing courses are constantly subject to review and revision. New courses are being developed, such as a course on maritime security in response to congressional guidelines contained in the Omnibus Diplomatic Security and Anti-Terrorism Act of 1986.

We also have a variety of different training providers who offer courses under the auspices of the ATA Program. While these courses are constantly being adapted to meet the needs of the recipients, the basic course content remains fairly constant. Because of these factors, different names may have been used to describe essentially the same or somewhat modified course.

Human rights considerations are a very important part of this program which was developed in close consultation with Congress. For this reason a primary ingredient of most courses deals with human/individual rights, due process, humane treatment, and a good working community relationship. These critical subjects are directly or indirectly interwoven into each course.

Following are brief summaries of the core courses offered by the program:

TRANSPORTATION SYSTEMS SECURITY

International Civil Aviation Security - A one-week course which includes instruction in FAA security relationships vis-a-vis foreign airport security personnel. Topics include ICAO security standards, passenger screening equipment and techniques, airport and airline security, explosive incident management, and crisis (hijack) management.

Advanced Civil Aviation Security - A two to three week course designed for airport managers and civil aviation security chiefs to include effective utilization of airport police, principles of employee screening, international airline organization regulations, airport/aircraft security planning, and incident management.

Airport Police Management - A three to four week course which discusses principles of operating police agencies in the unique environment of an airport complex to include organization command structure, communication network, terminal security, baggage security, passenger screening, patrol tactics, patrol analysis, emergency response, tower security, perimeter security, bomb and security search techniques, background investigations, and training methods.

Sky Marshal - A two-week course for experienced law enforcement officers which familiarizes them with the basics of onboard anti-hijack procedures.

Maritime Security - A three week course which instructs participants in known and potential methods of a terrorist attack directed against maritime transportation modes and facilities (ships, ports and harbors), sabotage prevention, and personnel (passenger and crew) and cargo security.

INSTALLATION SECURITY

Building Security - A two to four week course which teaches methods of using manpower, machines, scrap material, and vehicles to secure buildings and public installations against package bombs, ground attack, infiltration, car bombs, arson, internal theft smuggling of weapons, and surveillance.

Court Security - A one-week course which addresses elements of security during the course of public trails. Topics include protection of judges, juries and witnesses, safeguarding juries against intimidation, prisoner protection, screening of press and public, access control, and defensive measures.

Vital Installations Security - A two-week course which addresses techniques of securing a complex of buildings and facilities against hostile intrusion and attack. Topics covered include perimeter security, patrolling, access barriers, control, and security against car-bomb attack.

Petroleum Facilities Security - A two-week course which identifies the critical nature and vulnerability of pipeline transportation systems such as pumping stations, refineries, loading facilities and address the capabilities and limitations of security equipment and measures.

PERSONAL SECURITY

VIP Protection - A two to four week course which teaches techniques which provide for the safety of dignitaries or officials while stationary or in transit. Course topics include vehicle/foot formations, vehicle/personal tactics, advance site and route survey, site security, threat/risk analysis, bombs ID/search, assassination history/tactics, firearms use, physical tactics, and drivers training.

Protective Security - A three to four week course designed to enhance the participants understanding of current techniques and tactics in personal security through a blending of classroom instruction, specialized field activities, and practical exercises.

Security of High-Risk Prisoners - A one week course which addresses safeguarding prisoners charged with or convicted of terrorist acts. Topics include perimeter security, visitor and staff screening, defense against raids, escape case studies, hunger strikes, propaganda efforts and effects, media relations, hostage situations, guard procedures, human rights and legal rights.

EXPLOSIVES MANAGEMENT

Explosives Lab Internship - A two to three week program of on-the-job (OJT) training under which participants have the opportunity to observe the operation of leading federal, state, and local explosives laboratories, including wet chemical, instrumental, and empirical techniques.

Post-Blast Investigation - A two week course which covers techniques of bomb scene investigation, identification of materials and methods used, and analysis of evidence to identify the perpetrator.

Dog & Handler Training for Bomb & Explosives Detection - An eight to twelve week course which involves principles of utilizing and working with dogs that have been trained to detect 12-14 explosive types under all conditions and in all environments.

Bomb Recognition & Isolation - A one week hands-on session to train anti-terrorist personnel to properly direct the use of dogs trained to detect explosives, visually recognize items which may be explosives, and utilize available material to muffle affect of any possible explosion prior to render safe. Evacuation of personnel included.

Canine Instructor Training - An eight week course which prepares anti-terrorist police to instruct other anti-terrorist police in the methods of training suitable dogs to detect explosives. Also covers the means of selecting dogs and methods for care.

I.E.D. Render Safe/Removal - A four week course which covers methods, planning, and operations for assessment, neutralization and safe disposition of conventional and improvised explosive devices (I.E.D.).

HOSTAGE AND CRISIS MANAGEMENT

Incident Scene Management - A one to two week course which analyzes components of a command post in a terrorist incident environment and how these components relate to controlling actions during the incident. Topics covered includes cordon configurations, personnel management, communications, tactical teams, and media relations.

Hostage Negotiation/Incident Scene Management - A two-week course which covers principles of organizing and controlling hostage situations and includes face-to-face and telephonic negotiation techniques, command post operations, media relations, police and non-police participant roles, communications, principles of hostage rescue, and team organization.

Senior Crisis Management - A one week course designed for cabinet and sub-cabinet level officials which familiarizes participating personnel with the principles of managing terrorist crisis of national magnitude. Resource management, command and control, press relations, organizational principles.

Quick Response/Incident Scene Management/Hostage Negotiation - A three week course designed to train public security officials in the requirements, actions, and orders attendant to a quick response to and successful resolution of terrorist incidents.

Hostage Rescue - A three to four week course designed to teach rural police supervisors the principles of counter-terrorist operation against existing groups which have perpetrated terrorist-related crimes such as hostage-taking. Includes human relations, hostage negotiation, counter tactics, and base defense.

Anti-Terrorist Protective Tactics - A two to four week course designed to train individuals in the principles of safe-guarding innocent lives, building entry, building search, instructional techniques, advanced marksmanship, and protection of innocent citizens.

Terrorist Crime Scene Search - A two week course designed to teach experienced investigators the principles of safeguarding a terrorist crime scene and searching to obtain perishable and sensitive physical evidence which will lead to the apprehension of terrorist criminals.

Anti-Terrorist Training Procedures - A four week course for police commissioned and non-commissioned officers responsible for training entry and specialized personnel. Includes principles of instruction, training management, evaluation procedures and practice in specialized counter-terrorist tactical procedures.

Terrorist Analysis - A two week course in analytical investigation methods. The course teaches participants ways to collect, organize, analyze, evaluate, disseminate, and maintain data related to terrorist intelligence. A one week class covering kidnapping investigation can be added to this course.

Anti-Terrorist Command and Control Procedures - A four-week course which discusses procedures for implementing and monitoring systems which provide the means to control, communicate with, concentrate and disperse police patrols, detective teams, and supporting personnel throughout the tactical and bureaucratic framework of a police department. The thrust of the course is resource control and administration of police counter-terrorist efforts.

Anti-Terrorist Patrol Techniques - A two to three week course which covers administration of and general procedures and tactics for dealing with urban terrorism-related activities and methods, such as manning checkpoints and roadblocks as a means of identifying and tracking terrorists while stressing the importance of human rights and the controlled use of force.

Police Academy Development for Terrorist Related Courses - A country-specific tailored course of indeterminate length designed to aid agencies seeking to upgrade their police counter-terrorist training capabilities. Designed for experienced training administrators and includes on-the-job at leading U.S. training installations.

ANTI-TERRORIST SUPPORT

Human Rights and Human Relations - A two week course designed for senior and mid-level police officers which teaches the vital necessity of safeguarding human rights, preventing police abuse of suspects and prisoners, the organizational means of institutionalizing such safeguards within police agencies in order to combat terrorism, and the professional, political, and ethical need for humane and honest police work in an anti-terrorist environment.

Command Post Operations - A one week course designed for mid-level police officers which explains the organization and operation of a command post handling a terrorist incident. Includes a one day practical exercise.

Forensics Lab Procedures for Anti-Terrorist Operations - A two to six week on-the-job program for experienced lab technicians, with a good command of scientific English. Designed to familiarize foreign lab technicians with current U.S. procedures.

Anti-Terrorist Immigration Control Procedures - A two week course designed to upgrade immigration screening procedures to detect members of terrorist organizations.

Senior Law Enforcement Counter-Terrorism - A two week course to train major officials in the skills required to administer police agency response to ongoing terrorist threats.

No ATA training is provided in the techniques of electronic or illegal means of surveillance or in counter-intelligence. Moreover, the legislation authorizing the ATA Program specifically prohibits providing assistance of any sort involved in the collection of intelligence. The program, however, does address the organization and sharing of information already available in the fight against terrorism. Techniques in teaching individuals how to detect if they are under surveillance by suspected terrorists are taught as both necessary and useful tools to be employed by effective law enforcement agencies with anti-terrorist responsibilities. The physical protection of potentially threatened dignitaries and vital installations requires continuing awareness of persons or events that constitute a threat so that appropriate actions can be taken.

QUESTIONS SUBMITTED BY SENATOR KASTEN TO AMBASSADOR BREMER

POTENTIAL FOR MULTILATERAL PROGRAM

SENATOR KASTEN: You have indicated that a number of countries have been interested in using the programs which are funded under this account. Wouldn't it make some sense to try to turn this program into a multilateral one?

ANSWER: In principle we agree with this concept and, in fact, have conducted programs with regional organizations such as the Gulf Cooperative Council (GCC), which represents 6 countries, and the Organization of Eastern Caribbean States (OECS), which includes 7 nations. Limits, of course, exist as to how often this can be done given cultural, linguistic, political, and logistical constraints. We also discuss and present the program in a multilateral context and look for bilateral opportunities to promote a multilateral approach to combatting terrorism. We have recently agreed with the Canadian government to coordinate our respective training programs in airport security.

FUNDING REQUESTS

SENATOR KASTEN: The administration has placed some emphasis on its desire to fight terrorism. Your request for this program is the same as provided for the current fiscal year and therefore I am wondering whether you have decided that this particular program is not useful in trying to combat terrorism, for if it were, I would think you would have requested some increases. Do you think the program is useful to that end?

ANSWER: We continue to believe that this program is efficient and highly effective and all available evidence indicates that participating countries share this view.

Late in FY'86 we received funding authorization in the Diplomatic Security Supplemental for an additional $2.7 million. We received no increase in appropriated funds but did obtain the money by the transfer of existing funds from another Foreign Assistance Account. Because the program is in its growing stages and because of limited staff resources, we did not want to request more funds than we could effectively use. If the high-level of international interest in the program continues, we may be requesting additional funds for FY'89 and '90.

QUESTIONS SUBMITTED BY SENATOR INOUYE

TO MRS. SZEKELY

SENATOR INOUYE: Mrs. Szekley, in the past, the Foundation has drawn upon the resources of the Social Progess Trust Fund (SPTF) to finance its activities. The Trust Fund, itself, has been financed by the reflows of payments on prior U.S. loans to Latin American countries. Unfortunately, the SPTF is declining in value. What is happening to the SPTF and how will this affect the Foundation?

MRS. SZEKELY: Since the Social Progress Trust Fund is derived from repayments in local currencies of funds lent to Latin American and Caribbean countries under the Alliance for Progress, most of the loans have been repaid or will be repaid in the next few years. Consequently, the availability of these monies which are used by the Inter-American Foundation and the Inter-American Development Bank (IDB) is diminishing rapidly.

Since 1974, SPTF resources have accounted for approximately 50 percent of the Foundation's program funds. However, since 1983 SPTF resources have accounted for close to 60 percent of the Foundation's program funds. Currently, SPTF resources represent 68 percent of the Foundation's program budget. This increase in percentage of SPTF resources has been caused by a decrease in appropriated funds.

Since SPTF resources can only be used in the countries from which they originate and cannot be used for administrative expenses and salaries, the Foundation has relied on appropriated funds to cover those costs as well as the program budgets for countries lacking SPTF resources or for those with small residual amounts available (Chile, Costa Rica, Colombia, Dominican Republic, Haiti, Mexico, Paraguay, and the Eastern Caribbean).

Lacking SPTF resources, the Foundation will be unable to maintain its program with the current level of appropriated funds.

A more detailed analysis of the SPTF and the grave impact of its depletion on the Foundation is contained in Appendix I.

(Appendix I follows)

APPENDIX I

SOCIAL PROGRESS TRUST FUND

Legislative History

The Social Progess Trust Fund ("Fund") was created in 1961 following the passage of the Latin American Development Act ("Act"). The purpose of the Act was to promote hemispheric development programs based upon self-help, mutual efforts, and the strengthening of free institutions. Section 1943 of the Act authorized $680 million, to remain available until expended, to implement the programs created under the Act.

In 1961 the Government of the United States and the Inter-American Development Bank agreed ("SPTF Agreement") to entrust the Bank with the administration of the Fund financed with $394 million from appropriations made available through the Act.

The SPTF Agreement authorized the Administrator of the Fund (The Inter-American Development Bank or "IDB") to utilize its resources to support projects and programs in:

(a) land settlement and improved land use;
(b) housing for low income groups;
(c) water supply and sanitation;
(d) advanced education and training related to economic and social development; and
(e) basic education and health

IAF Access to SPTF

In December 1973 the United States Congress passed an amendment to the Foreign Assistance Act (22 U.S.C. sec. 2151) which directed the President of the United States to seek a revision of the SPTF Agreement to provide for periodic transfers of unencumbered capital resources of the Fund, and any future repayments or other accruals payable to the Fund, to the Inter-American Foundation ("IAF"). The resources were to be administered by the IAF for the purposes outlined in its enabling legislation. This amendment has been implemented through five three-year agreements between the IDB and the United States providing the IAF with an agreed upon portion of the available resources of the Fund as follows:

1974-1976	$ 31 million
1977-1979	48
1980-1982	48
1983-1985	48
1986-1988	48.7
TOTAL	$223.7

IAF Utilization of SPTF

Of the total of $191.9 million in SPTF funds allocated to the IAF from 1974 through 1986: $134.9 million (70%) has been obligated for IAF program activities, approximately $35.1 million has been unused and returned to IDB, and $15.8 million remains available for use through calendar year 1986. The remaining $6.1 million represents losses in currency exchange.

As a proportion of funds obligated by the Foundation in a given fiscal year, SPTF has ranged from 72% in 1977 to 39% in 1979; the average ratio of spending is approximately 56% SPTF, 44% appropriated. During the last two years the average ratio of spending is 66% SPTF and 34% appropriated. Attachment I shows SPTF funds allocated and SPTF funds obligated by country over the period 1974 through 1986.

Since receiving access to the Fund, the IAF has experienced continuing difficulties in making use of all the Fund resources available to it under the SPTF Agreement. This is despite longstanding Foundation policy to utilize Fund resources to the fullest extent possible where they are available, while using appropriated funds in areas such as the Caribbean where there is a paucity of Fund resources available to the IAF.

The primary reason for these undisbursed balances is the "tying" rule contained in the SPTF Agreement which restricts use of Fund resources to their country of origin. A secondary limitation has been the restrictions imposed on the types of projects or "categories" eligible for financing under the Fund.

CY 1986-1988 SPTF Agreement

As of September 1986, the IAF had available to it $48.2 million in SPTF resources for use through CY 1988, of which $32 million will be available through FY 1988. This conforms to OMB's planned apportionment of approximately $15.7 million in SPTF resources per fiscal year. Approximately, $10 million of the $16.2 million remaining after apportionment will be available for use only in El Salvador and Nicaragua.

Attachment I shows the distribution of these funds.

Depletion of SPTF Resources and Its Impact on IAF Programs

For FY 1987, the IAF's SPTF resources represent 58% of its total budget and 69% of its program funds. However, the Fund is being rapidly depleted, and in several countries resources are exhausted or available in very small amounts. The IDB projects that the Fund will be entirely depleted by 1994.

For the period 1986-1988, 70% of the IAF's SPTF resources are concentrated in six of the 36 countries in which the IAF operates. (Argentina, Brazil, Ecuador, El Salvador, Nicaragua, and Venezuela). One half of this amount is concentrated in El Salvador and Nicaragua. However, since 1971, 51% of IAF funding has taken place in Paraguay, Colombia, Chile, Mexico, Belize, Costa Rica, Haiti, Jamaica, the Dominican Republic, and the Eastern Caribbean. (Chile, Jamaica and the Eastern Caribbean do not have access to SPTF). Because of the Fund's depletion, the IAF program for these countries will be limited to 26% of IAF grant funds (this amount includes both appropriated and SPTF).

The following chart compares SPTF resources which were available under the CY 1983-1985 SPTF Agreement with the amounts available under the CY 1986-1988 SPTF Agreement.

Country	1983-1985 Agreement ($ in 000)	1986-1988 Agreement ($ in 000)	% Decrease
Colombia	$ 4,500	$1,150	75%
Costa Rica	3,630	550	83%
Dom. Republic	1,100	700	30%
Haiti	220	110	45%
Mexico	2,100	0	100%
Paraguay	800	250	69%
Total	$12,350	$2,760	78%

Beginning in FY 1988, the depletion of the Fund will have a severe impact on the IAF. At that time, it is estimated that only $31 million will be available for the 3-year period covering 1989-1991 -- a 35% reduction ($17 million) in resources compared to the current SPTF Agreement. If the total of available resources is divided evenly between the IAF and the IDB, as has been the case with the five previous SPTF Agreements, each institution would receive $15.5 million for the 3-year period or $5.2 million per year. (See Attachment II- Average Amount of SPTF Available Per Year) Further, 47% of the available resources would be concentrated in three countries (Brazil, El Salvador, and Peru).

By 1992, only $14.6 million will remain in the Fund. The Foundation's annual share of the Fund resources will drop to $2.4 million. Forty-eight percent of these funds will be concentrated in three countries - Brazil, El Salvador and Guatemala. This would represent an 85% decrease from the current amount of SPTF resources being used by the IAF and a decrease of 49% in the total IAF budget for FY 1987. As noted above, the Fund will be totally depleted by 1994.

In summary, the rapid decrease in the availability of SPTF resouces means that the IAF program budget would have to be proportionately decreased to accomodate the continuing depletion of SPTF resources unless an alternative funding source is identified.

0255G

SPTF FUNDS AVAILABLE
OCT., 1986 - DEC. 1988

COUNTRY	AMOUNT ($ in 000)
Argentina	$7,907
Bolivia	1,704
Brazil	4,505
Colombia	717
Costa Rica	181
Dominican Republic	475
Ecuador	3,741
El Salvador	6,015
Guatemala	3,296
Haiti	77
Honduras	1,343
Mexico	53
Nicaragua	6,085
Panama	2,776
Paraguay	310
Peru	2,071
Uruguay	1,477
Venezuela	4,729
U.S. Dollars	746
TOTAL	$48,208

Attachment I

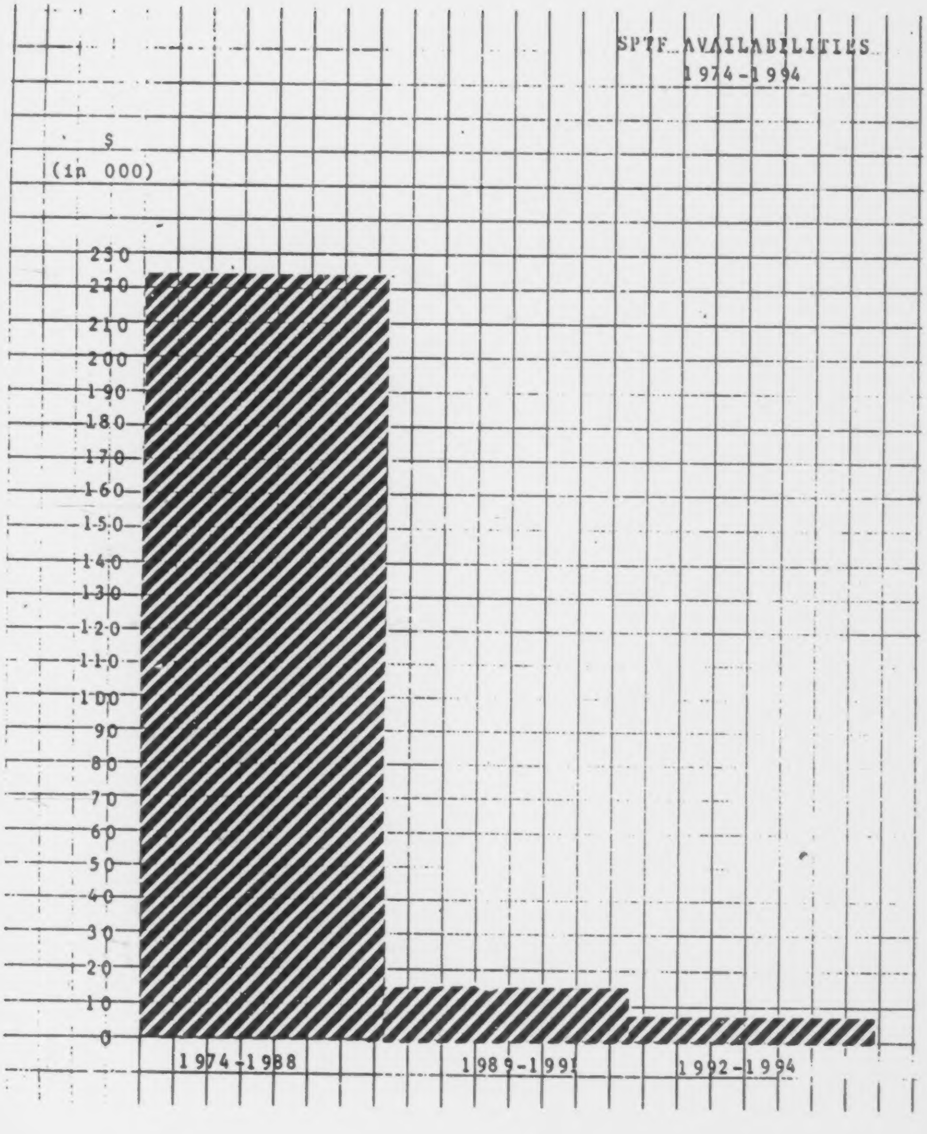
SOCIAL PROGRESS TRUST FUND (SPTF)
(Annual average; thousands of dollars)

	Available to IAF under agreements				TOTAL SPTF	
Country	1977-79	1980-82	1983-85	1986-88	1989-91	1992-94
Argentina	$1,468	1,768	1,500	2,567	330	228
Bolivia	333	800	733	500	491	288
Brazil	1,900	783	1,800	1,800	2,345	757
Chile	2,033	-	-	-	-	-
Colombia	1,767	1,800	1,500	383	561	198
Costa Rica	67	667	1,100	183	305	82
Dominican Rep.	800	633	333	233	173	12
Ecuador	733	950	1,767	1,006	970	463
El Salvador	67	700	500	2,047	1,594	1,127
Guatemala	167	767	633	973	970	594
Haiti	-0-	100	67	37	-0-	-0-
Honduras	33	833	333	603	131	82
Mexico	-0-	1,333	700	-	304	86
Nicaragua	-0-	700	1,267	1,947	240	94
Panama	1,733	933	833	572	56	-0-
Paraguay	333	450	267	83	248	248
Peru	3,533	1,933	2,100	657	586	78
Uruguay	1,033	850	567	333	382	-0-
Venezuela	-0-	-0-	-0-	2,003	-0-	-0-
U.S. Dollars	-0-	-0-	-0-	292	754	520
TOTALS	$16,000	$16,000	$16,000	$16,219	$10,440	$4,857

NOTE: 1977-1988 figures are for only IAF's share of SPTF under past and current agreements. The current 1986-88 agreement gave IAF about half of total SPTF. Figures for 1989+ are estimates of total SPTF availabilities.

A&F/B; 0739F; 9/17/86

Attachment II


SPTF AVAILABILITIES
1974-1994
$
(in 000)
230
220
210
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
1974-1988
1989-1991
1992-1994

NOTES:

1. The IAF was not permitted by the Brazilian Government to fund in Brazil from CY 1979-1982.
2. By resolution of the IAF Board of Directors, funding was suspended in El Salvador from CY 1976-1978 and CY 1980-1984.
3. It is estimated that approximately $8.5 million of the $48.7 million allocated in the CY 1986-1988 agreement will not be used. These funds are located in El Salvador and Nicaragua.

SENATOR INOUYE: What is being done now to devise a means of replacing the financing provided by the Social Progress Trust Fund after its depletion in a few years?

MRS. SZEKELY: The Office of Management and Budget has been advised of the serious impact which the depletion of the Social Progress Trust Fund will have on the Foundation's programs beginning in 1989.

We seek and would greatly appreciate your suggestions on how to address this problem. If unresolved, this problem will terminate the Inter-American Foundation's effectiveness throughout Latin America and the Caribbean.

SENATOR INOUYE: Has the Inter-American Development Bank indicated any willingness to provide the Foundation any additional resources after the SPTF is depleted.

MRS. SZEKELY: The Inter-American Development Bank has not indicated any such willingness to the Foundation.

SENATOR INOUYE: Has the Inter-American Development Bank provided any non-financial support to the Foundation? For example, has it ever provided follow-on funding to a project initiated by a Foundation grantee?

MRS. SZEKELY: The Inter-American Development Bank has never provided the Foundation with either direct financial or non-financial support. There have been occasions, however, when a Foundation grantee "graduates" from the small level of Foundation support and qualifies for IDB funding through its Small Projects Program.

Examples of Foundation grantees that have received subsequent support from IDB include the following:

> Colombia. Women's World Banking in Colombia received a three-year $219,666 IAF grant (CO-267) for its credit and technical assistance program for small enterprises owned and operated by women in the city of Cali. Based on the experience gained through this grant, WWB is now being considered for an IDB small projects loan to expand its credit program to other regions of Colombia.
>
> Guatemala. FEDECOCAGUA, a federation of 37 small coffee production cooperatives in Guatemala, received a six-year $313,183 grant (GT-101) to expand a women's promotional program that provides skills training and instruction in the organization of production enterprises. The IAF grant was followed by a $300,000 IDB loan to support small enterprise development for women's groups organized by FEDECOCAGUA affiliates.
>
> Honduras. Asesores para el Desarrollo (ASEPADE), used a two-year $105,097 grant (HO-102), to expand a credit program and provide training to small-scale businesses that produce goods for local consumption in two low-income urban neighborhoods of Tegucigalpa. ASEPADE subsequently received larger-scale support from the IDB.

Jamaica. Projects for People (PFP) received a two-year $104,000 grant (JA-075) to help a rural community development organización begin cheese processing and marketing, and capitalize a revolving loan fund so that small-scale dairy farmers could improve herds and pastures. The IAF paid for training and core organizational support for the overall program of the institution, and the IDB provided a soft loan so that PFP could make small loans to microenterprises.

Paraguay. The Organization para el Desarrollo Integral del Campesino (OPDIC) is using a three-year $96,750 grant (PY-077) to provide organizational, production, and marketing support to small producers in the Paraguari Department of Paraguay, where the IDB is carrying out a $30 million integrated rural development project. OPDIC has established good working relations with the various Paraguayan government agencies receiving IDB funds for this project. OPDIC has also received free seed and skills training and a commitment for road improvement for their beneficiaries from the IDB project supervisors.

The Fundación Paraguaya de Cooperación y Desarrollo (FPCD) received a two-year $63,500 grant (PY-111) to carry out an AITEC-model program for urban microentrepreneurs. In addition to the IAF grant, which is primarily for a rotating credit fund, the FPCD has received a $50,000 technical assistance grant from the IDB. The IDB is also considering a request to expand the loan fund substantially.

Uruguay. The IDB has provided financial support to several development organizations in Uruguay which had been funded previously by the IAF. IDB support was provided to the following IAF grantees:

Comisión Nacional de Fomento Rural (UR-007, UR-053), for agricultural credit and technical assistance;

Asociación de Colonos del Uruguay (UR-042, UR-100), for investment projects in several colonies in San José;

Fundación Uruguaya de Cooperación y Desarrollo Solidarios, FUNDASOL, (UR-052, UR-090, UR-118), for a non-reimbursable technical assistance grant prior to funding a microenterprise development project.

The IDB made a $500,000 loan to Manos del Uruguay concurrently with IAF grants (UR-013, UR-023, UR-073), for raw materials and equipment to be used by this major women's artisan cooperative in the production of woolen goods.

The IDB also made a $23 million loan to CALAGUA, which received IAF funding (UR-040) to do a feasibility study of this agro-industrial investment project. The IAF is also funding a component of the project's implementation (UR-123).

SENATOR INOUYE: Mrs. Szekely, in your prepared statement you mention an In-Country Services Program. Can you explain what this is and how it has affected the Foundation's program?

MRS. SZEKELY: When I assumed the presidency of the Foundation two and one-half years ago, I carefully studied its original mandate, and reviewed the funding and learning that had been accomplished by the Foundation since 1971. Especially important to me during that orientation phase was the Foundation-Board commissioned "Report of the Evaluation Group," an excellent review of program activities, with commentary on ways to improve the Foundation's efforts to assist the poor with their self-help initiatives.

The evaluation group took issue with the proposition that the poor always know best how to manage their affairs and achieve their goals. My review of close to one hundred Foundation-funded projects, many of which ended with little success, (what I called C and D projects, rather than A and B ones) reinforced that observation and sparked my efforts to implement aggressively the evaluation group's recommendation that stated:

> "We believe that the Foundation can organize its activities to better provide missing expertise without prejudicing the basic elements of its approach to the poor. This is particularly important for projects funded directly with base groups."

Among my first directives was a November 1984 memorandum to the program staff which requested that they "tap in-country resources" that could help grantees and beneficiaries by providing technical assistance related to project identification, preparation, implementation and evaluation. With these support activities, I hoped that projects funded by the Foundation could have better chances of success so that the poor could be encouraged by success, rather than frustrated by failure.

Now, two years later, the Foundation has established 18 in-country service systems to implement the evaluation group's recommendation. Called "ICS," these systems draw on the skills of local professionals who are experienced in development, management, and business to provide needed technical assistance to grantees. Today each project is "accompanied" by a specific monitor who visits two to four times, and more often if necessary, to review the situation and share his findings with the management staff and assemblies. This system encourages learning and the successful outcome of projects.

The ICS systems are already producing substantive benefits for grantees and beneficiaries. For example:

- Ready access to timely technical assistance arranged by local ICS consultants often can mean the difference between a project's success and failure. For example, in Peru a Foundation-supported honey production project was beset by a serious honeybee disease. The ICS in Lima was alerted and knowing of a similar case in Uruguay, arranged and financed a cooperative member's trip to Montevideo. Within a week, the Peruvian had traveled to Uruguay, returned, and initiated appropriate steps to eliminate the problem. Since then, honey production has returned to normal levels and the 350 cooperative members' earnings have stablized.

- Today, learning exchanges among grantees can also be facilitated. Travel is encouraged so grantees can visit similar projects and learn from them. More is learned by example, observation, and participants sharing with each other than by books alone.

SENATOR INOUYE: Are the local consultants paid by the grant recipient? Who selects the consultant? Who checks to see that the grant recipient gets what he needs from the consultant?

MRS. SZEKELY: Local In-Country Service (ICS) consultants are contracted by the Inter-American Foundation to help grantees solve project-related problems so as to improve their chances for success. The Foundation selects the local consultants, defines their scope of work and activities, and compensates them for their services. The consultants, when requested, provide technical assistance to the grantees. They also prepare quarterly reports on the projects so that they may be used as learning tools by the Foundation staff.

The Foundation rigorously reviews the services being provided by all ICS systems to evaluate the quality of services provided to grantees. This is done primarily by the Foundation field staff who are directly responsible for overseeing their assigned countries. In addition, the field staff meet with the grantees, usually twice annually, to review their projects as well as to assess the performance of the ICS consultants in providing needed services.

SENATOR INOUYE: Mrs. Szekely, one of the primary objectives of the Foundation is the development of innovative approaches to dealing with the problems of the poor at the grassroots level. What innovative or creative approaches is the Foundation taking in this year and what new activities do you plan for next year?

MRS. SZEKELY: The Foundation is applying a number of innovative approaches to support the self-help efforts of the poor in Latin America and the Caribbean. In addition to to the In-Country Service systems (ICS) established in 18 countries to increase funding and learning capabilities, the technical assistance and monitoring provided by the ICS systems has helped many grantees to increase their chances of success. The Foundation has also initiated a new experiment, a series of cooperative agreements with local development organizations so that micro-grants can be provided to fledgling groups that do not yet qualify for regular Foundation support. These grants, usually $5000 or less, are used either to provide equipment or livestock, special training, to carry our feasibility studies, or to enable these groups to obtain official legal status in their countries. The Foundation views this support as pre-grant activity that supports the increased development of community level organizations. The Foundation also plans to offer several "Partnership Grants" which will, on a matching funds basis, assist private development agencies in maintaining administrative proficiency until financial independence is assumed. Partnership grants will be provided for extended time periods to assist in this institution building process.

The Foundation will continue to refine its use of ICS systems, micro-grants and partnership grants. The Foundation also has commenced to integrate its Fellowship program with ongoing monitoring and evaluation activities. For the first time in the Foundation's history, former Foundation fellowship recipients who have returned to Latin America and the Caribbean will help to evaluate Foundation-supported projects. Finally, the Foundation intends to carry out a series of country planning sessions involving the Foundation's informal in-country advisors and its ICS consultants. This first seminar, scheduled for October 1987, should result in country plans that identify new opportunities for innovative funding and learning initiatives. This should enable the Foundation to use its resources even more effectively, and to provide the greatest possible service to the poor.

SENATOR INOUYE: Can you give the Subcommittee an example of an innovative approach which was developed by the Foundation and later used by other development agencies?

MRS. SZEKELY: In terms of other development agencies adapting the Foundation's innovative approaches, a considerable amount of time has been spent working with the African Development Foundation (ADF) to assist it in establishing their grant and administrative monitoring systems. The Foundation is also providing the ADF with information about In-Country Service Systems and the use of the Cooperative Agreements to provide micro-grants to newly formed grassroots groups.

The Foundation has continued to apply innovative approaches to its grant-making by responding to new, high-risk projects. For example, in Haiti, the Foundation was the first institution to support the Catholic Church's national literacy program in Creole. The Foundation was able to support this important project because of its knowledge of and previous support for non-formal education and leadership training at the grassroots level. Following the Foundation's lead, a number of other North American and European private voluntary organizations have contributed to the Church's literacy campaign in Haiti.

In El Salvador, the Fundación Salvadoreña de Desarrollo y Vivienda Mínima (FUNDASAL) received an initial grant of $625,800 from the Inter-American Foundation for a five-year self-help housing program. The success of this program and subsequent financing from the World Bank for housing activities and from the Inter-American Development Bank for technical services established FUNDASAL as one of the largest private, low-income housing programs in Central America.

SENATOR INOUYE: Mrs. Szekely, I have always believed that the greatest value of the Foundation has been its ability to support projects at the grassroots level which, because they are small and non-governmental, would be unlikely candidates for AID funding. What would you tell our newer Subcommittee members about the special niche occupied by the Inter-American Foundation? How important is the people-to-people orientation of the Foundation?

MRS. SZEKELY: The Inter-American Foundation was created to: (1) strengthen the bonds of friendship among the peoples of this hemisphere; (2) support self-help efforts; (3) stimulate wider participation of the people in the development process; and (4) encourage the growth of democratic institutions (see IAF enabling legislation, 22 U.S.C. 290(f)).

In pursuit of these objectives, the Foundation has contributed $231 million to 2,278 projects carried out by over 1,700 organizations.

Over the last two decades, the number of private groups in Latin America and the Caribbean working to improve their communities has grown rapidly. When the Foundation was created in 1969, it was estimated that there were only 250 private development agencies in Latin America and the Caribbean; today, the estimate is 4,000.

For 15 years, the Inter-American Foundation has been the only U.S. government agency directly supporting many of those programs. The projects they have proposed, for creating jobs and generating income, for literacy training, and for community services, embody the hopes of the people and their concrete plans for realizing them.

Today, the Foundation is the only U.S. government development assistance agency active in six of the largest Latin American countries (Brazil, Mexico, Argentina, Colombia, Venezuela, and Chile) that account for 75 percent of the region's population.

All Foundation-supported projects share one unique and essential characteristic -- the ideas for the projects come from the people themselves. The IAF does not create or carry out projects. It supports local initiatives that reflect the aspirations of those participating in the project.

The Foundation has provided direct support to small groups of poor people as well as to larger grassroots organizations such as cooperatives, generally community-based, sometimes linked to regional or national networks. It has also supported intermediary service organizations, created by businesspeople, professionals, and community leaders joining together to contribute their skills to grassroots development efforts.

Foundation supported projects are designed to reach the poorest strata of society. The following are examples of the how this assistance has benefitted thousands of people in diverse settings:

-- 17,000 poor Bolivian youths in La Paz now have access to study halls, science labs, audiovisual materials, and medical and legal aid through an IAF supported project. Other projects supported by the Inter-American Foundation in Bolivia have helped to: improve the literacy of 5,000 low-income women at a cost of $9 per person; provide primary health care services to 15,000 altiplano peasants, and encourage educational radio broadcasts and slide presentations to hundreds of thousands of people on health, agriculture, and social issues.

-- A recent sampling of 300 Colombian micro businesses supported by the Foundation showed increases of nearly 25 percent in profits and 50 percent in sales for these businesses from 1983 - 1986.

-- In Colombia, over 5,000 "gamines", vagabond street urchins, have found shelter, education and training, and alternatives to a dead-end life of drugs and crime. This project has gained international recognition and has served as a model for a similar program in the Dominican Republic.

The Inter-American Foundation has channeled more than half its funding to federations of grassroots organizations and to intermediary organizations working at regional or national levels. The intermediary organizations, in turn, provide services, especially credit and technical assistance, to grassroots groups. This type of funding strategy has enabled the Foundation to reach more people while keeping its own administrative overhead at a minimum.

-- There were only 10 private, non-profit organizations in the Dominican Republic in 1961. Today, there are 141 active private non-profit organizations. These include private foundations, charities, and orphanages. The Foundation has supported 25 of these private development agencies. They, in turn, have assisted over 350 small local farmer, women's, cultural, and small business associations throughout the country.

-- In Haiti, an adult literacy program sponsored by the Catholic Bishops' Conference is expected to reach up to three million people within five years. This program is being carried out in Creole, the spoken language of over 90% of the population. The Inter-American Foundation was the first development agency to support this project. Since the change of government, other international funders have lent their support to this program which symbolizes the hopes of the Haitian people.

-- In Chile, the Vicariate of Solidarity of the Catholic Archdiocese of Santiago provides training, technical assistance, and material aid to 1,975 self-help organizations and small enterprises run by the urban poor. The poor administer community kitchens, food-buying cooperatives, bakeries, handicraft workshops, and neighborhood groups which provide vocational training and youth recreation. The

Foundation's support enables the Vicariate's social service staff to reach 71,000 participants and their families.

The Foundation has focused on development that leads to human growth rather than the proliferation of physical structures. In a number of cases, Foundation grantees have emerged as national leaders in their native countries. Through their grassroots experiences, they have learned about the impact of government policies from the bottom-up and are accustomed to democratic participation in decisions about development goals and programs. Such leaders include:

-- Osvaldo Hurtado, who before being elected President of Ecuador, was associated with a nation-wide project working with the poor.

-- Delfina Ortiz, a woman from a poor Caracas barrio, who is president of a national network of Venezuelan women's organizations working with hundreds of thousands of poor women.

-- Charles Maynard, the current Minister of Education and Agriculture in Dominica, who helped found an organization that gave technical assistance and training to small cooperatives and family businesses.

-- Bolivar Baez, executive director of the Dominican Development Foundation, who was the Dominican Republic's Finance Minister from 1978 to 1982.

-- Alberto Harth Deneke, the former executive director of FUNDASAL, a self-help housing program in El Salvador, who also served as El Salvador's Planning Minister and who is now a senior official in the World Bank's urban housing division.

Drawing on the Foundation's experience, the World Bank, the Inter-American Development Bank, and the Agency for International Development have shown increasing interest in grassroots development programs and now provide loans and grants to private organizations originally assisted by the Inter-American Foundation. The Foundation's support has helped these organizations develop successful programs that qualify for far broader support than could ever be provided by the Foundation.

-- In Venezuela, CESAP was a fledging private institution dedicated to better education, organization, and productive activities for poor people when the Foundation provided it with $55,000 in 1975. This year, the Inter-American Development Bank loaned CESAP $500,000. This is one of approximately 30 Foundation grantees who later received loans and grants from the IDB.

-- In El Salvador, FUNDASAL, a self-help housing program which had successfully managed two Foundation grants, received $20 million from the World Bank to extend its program to six Salvadoran cities.

Fifteen years ago, the Foundation represented a small but significant investment by the United States Government in a new approach to development in Latin America and the Caribbean. Today, that approach - known as grassroots development - is accepted as the most effective way to provide assistance to the poor. In so doing, the Foundation has maintained a low annual overhead of approximately 15 percent, and the projects it has supported have received more than 50% of their total operating funds from local resources.

QUESTIONS SUBMITTED BY SENATOR LEAHY

SENATOR LEAHY: Mrs. Szekely, I have always been a strong supporter of the Inter-American Foundation and I want to congratulate you on the excellent job you are doing as President. What especially appeals to me is the Foundation's emphasis on small-scale, self-help development projects. This is a welcome change from the all too common grants to governments with no guarantee that our scarce foreign aid dollars will ever trickle down to the people who are most in need.

I for one believe Congress should continue to give its strongest support to programs like the Inter-American Foundation. Also, I have been particularly interested in the work that you have been doing to fund small-scale private enterprise in Latin America, and would appreciate any information you can give me about those projects. I do have two general questions.

Because of the Foundation's emphasis on grass-roots projects, I am interested in the criteria you use in hiring staff. I would hope that you give special weight to individuals who have worked in the field and know what works at the grass-roots level. Do you look for individuals with practical field experience? Have you been able to fill staff vacancies with those who have special training or experience in grass-roots development? Have you been pressured in any way to adopt other criteria in selecting staff?

MRS. SZEKELY: The Inter-American Foundation seeks in the recruitment and hiring of staff, individuals who have prior experience working in grassroots development. Language proficiency in the country of assignment, knowledge of private development initiatives, and practical skills in economic and social analysis are carefully considered when hiring field staff. Attached as Appendix II is the Foundation's personnel rating sheet which identifies the criteria used in hiring field staff.

(Appendix II follows)

CRITERIA FOR GRANT-MAKING

The criteria that the Inter-American Foundation applies in reaching decisions about proposed grants concern both (1) the kinds of institutions to which we make grants and (2) the kinds of project activities we support. The basic criteria were initially established by the U.S. Congress and the Foundation's first Board of Directors. The principal documents recording their directives and guidelines include: the Foundation's enabling legislation, which Congress passed in 1969; the Foundation's legislative history (the report of the House Committee on Foreign Affairs that accompanied the legislation and describes Congress' intent in creating the Foundation); and the minutes of one of the first meetings held by the Foundation's Board of Directors.

Over time, the criteria have been expanded, sharpened, and refined as the Foundation improved its knowledge about grassroots development from its own grant-making experience and from the experience of other agencies. The following is a list of our grant-making criteria and a statement which describes the origins of each of them.

Criteria on Institutions

1. Grants go primarily to private organizations.

   The Foundation's legislation states that the Foundation shall work "primarily through and with private organizations, individuals, and international organizations." The report of the House Foreign Affairs Committee (legislative history) elaborates, stating that the Foundation "will operate primarily through private rather than governmental channels on a nation-to-nation, institution-to-institution, and people-to-people level" and that the primary function of the staff will be to support "private undertakings in the fields of social and civic development."

2. Grants go primarily to local institutions in Latin America and the Caribbean.

   The legislative history states that the Foundation should support "indigenous efforts toward development of local institutions."

   At a meeting on May 5, 1971, the Board of Directors, according to its minutes, "established a strong preference for supporting in this order:

   (1) Latin American and Caribbean domestic institutions and organizations,
   (2) Latin American and Caribbean regional or multinational institutions and organizations, and
   (3) Latin American and Caribbean counterparts of U.S. institutions."

   At the same meeting, the Board "reiterated" that the Foundation "will not support U.S. institutions *per se*,

> but merely consider working through such institutions when circumstances warrant."

> The importance of the Foundation's supporting local institutions was reiterated in 1973 when IAF Board chairman Augustin S. Hart, Jr. testified before the Subcommittee on Inter-American Affairs of the House Committee on Foreign Affairs. Subcommittee chairman Dante Fascell, in describing Congress' intent in creating the Foundation, stated that:

> "nor was it (the IAF) supposed to help these several hundred, maybe thousands, of U.S. organizations which are now all over Latin America . . . . The emphasis was, as has been testified, on indigenous organizations and indigenous conceptions. The Foundation was to be a catalyst to indigenous groups to get out and organize and take care of themselves."

> At the hearing, Mr. Hart said that "our decision to go directly through the indigenous organizations in Latin America was in no way inadvertent and was given a great deal of very careful study by the Board."

3. Organizations receiving grants must be non-partisan and must not engage in political activities.

   According to the legislative history, the Foundation was established as an autonomous "semi-private" agency and instructed by Congress to be "independent of the political factors which affect the day-to-day course of government policy," and "insulated from the ebb and flow of political currents which are ever present in direct government-to-government relations." In addition, the Foundation was directed by Congress to provide support to Latin American undertakings on a "continuing, long-term non-political basis." The Foundation's first Board of Directors reaffirmed Congress' intent. At its May 5, 1971 meeting, the Board stated that "short-term political interests or responsiveness to pressure should not control Foundation funding decisions." In addition, "the Board pronounced itself against any grants, loans, or other support for political parties and their immediate programs."

4. Grants go to established organizations with competent, committed leadership, a good record of performance, and roots in their local communities.

   This set of criteria has emerged from the grant-making experience of the Foundation. Application of these criteria require a rigorous review and analysis of each organization prior to reaching a funding decision.

5. Grants go to organizations that are democratically organized and managed.

   The enabling legislation states that the Foundation shall "encourage the establishment and growth of democratic institutions."

Criteria on Project Activities

1. Grants support activities benefitting poor people.

   The Foundation's legislative history states that "too little United States assistance has reached the masses of the Latin American people or made a visible impact on their daily lives," and that the goals of other development programs, "whose objectives of expanding opportunity for the great majority of people . . . are not being achieved in any substantial, meaningful sense." The Inter-American Foundation was "intended to assist in rectifying those shortcomings."

2. Poor people should participate in the design and management of development projects.

   The Foundation's enabling legislation states that two of the Foundation's objectives are to "stimulate and assist effective and ever wider participation of the people in the development process," and "support self-help efforts designed to enlarge the opportunities for individual development." The legislative history states that the Foundation should support sound, self-help Latin American undertakings. At its May 5, 1971 meeting, the Board affirmed its support for projects whose objectives included "greater opportunity for participation."

3. Project activities must be technically and managerially feasible.

   The projects should be realistically designed--the objectives should be clear, and they should be attainable. These are criteria that should inform the grant-making activities of any development organization. Again, the Foundation undertakes a careful review of the proposal to determine project feasibility prior to reaching a funding decision.

4. Grants should support projects which promise an equitable distribution of benefits.

   The Board of Directors, at its May 5, 1971 meeting, stated that IAF grants should include as one of their objectives "more equitable distribution of income." The Foundation's experience has also demonstrated that grassroots development projects are most successful when benefits are distributed equitably. Although everyone may not get an equal share, the procedures for determining allocations should be fair, and the resulting distribution should not be skewed toward any particular group.

5. Grants should support activities that will strengthen the organization and enable it to take on subsequent tasks.

   The Board of Directors stated on May 5, 1971 that one of the Foundation's basic purposes is to support efforts for "institutional development."

6. Grants should support a broad range of activities throughout the hemisphere.

The Board of Directors stated on May 5, 1971 that the Foundation "should avoid rigid rules for distributing its support by geographic or subject matter categories. The Board recommended that a balance be maintained geographically; it noted the differences among the various regions of the Hemisphere, especially the Caribbean, and intended the Foundation to view each region in the context of its own requirements. The Board also decided that a balance should be maintained among large and small countries as well as those in various stages of development." Although the Board recommended that the Foundation not overextend itself into too many program areas, it "did not single out any one or group of program categories for concentration or exclusion."

7. Grants should support activities that are innovative and experimental, and offer promise for expansion or replication in other settings.

   The Foundation's legislative history states that the IAF should "stimulate research, innovation, and experimentation in overcoming bottlenecks to progress in education, agriculture, and basic environmental conditions relating to health, housing, and other social needs of the Latin American people."

8. Grants should support activities for which it has been demonstrated that there is local support.

   At its May 5, 1971 meeting, the Board stated that the Foundation should support activities in which poor people demonstrate their commitment to projects by contributing their own savings, labor, and other resources. The Board instructed the Foundation "to respond to needs as perceived by the people of Latin America and the Caribbean as evidenced by their own actions, and to join with them to increase their capability to achieve their goals."

9. Grants support activities that can be sustained with local support beyond the period of the grant.

   The emphasis of the Congress and the Board on self-help efforts carried with it the implication that the Foundation should support activities that do not require continuing outside funding. Activities supported by the Foundation should have the potential to provide benefits to increasing numbers of people, either directly as the project expands, or indirectly by serving as a model for other efforts.

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The staff offer the Foundation a diversity of skills and backgrounds ranging from the Peace Corps, State Department, Agency for International Development, private voluntary organizations and academia. The Board of Directors has generally been pleased with the caliber of the staff. At the same time, they have encouraged the hiring of qualified persons, when appropriate, with practical business skills and experience.

SENATOR LEAHY: What criteria do you use in selecting the countries you work in and the projects you fund? I would hope that these decisions are made in ways which result in projects that are economically viable, and which will do the most good to meet people's basic needs. Are these goals you share, and do you believe the criteria you use are achieving them? Have you received any pressure to adopt other criteria in choosing which countries to operate in, and what kinds of projects to fund?

MRS. SZEKELY: The criteria used in selecting the countries in which the Foundation works were set forth in the Foundation's enabling legislation. The Foundation was given a mandate to establish bonds of friendship in the hemisphere, and to support private self-help initiatives which benefit the poor. In carrying out this mandate, the Foundation has worked in virtually all of the countries of Latin America and the Caribbean, with the exception of Cuba. The Foundation provides responsive support to the initiatives of private development groups helping the poor, and directly supports the self-help efforts of the poor.

The Foundation has consistently sought to provide assistance to economically viable projects which are intended to meet the poor's basic needs. Attached as Appendix III is a complete treatment of the criteria used by the Foundation in making grants. The Foundation continues to use these criteria.

During fiscal year 1986, the Foundation approved grants in 28 countries in Latin America and the Caribbean. Despite the Foundation's limited financial resources and a very small staff of 67 persons, it is the only U.S. government development assistance program working in six of the largest countries of Latin America (Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela) that account for three-fourths of the region's population.

The distribution of program funds by country is largely dictated by the availability of resources from the Social Progress Trust Fund (SPTF). The Foundation receives a portion of the available SPTF resources pursuant to a series of three-year agreements with the Inter-American Development Bank. Sixty-eight percent of the Foundation's fiscal year 1987 program funds, or $15.3 million, are drawn from the SPTF. However, these funds can only be used in the countries from which they originate and only under certain conditions. The current agreement terminates in 1988. Thereafter, the SPTF resources will diminish significantly and will be fully depleted by 1994. If these funds are not replaced, the Foundation will not be able to maintain its program at current levels.

QUESTIONS SUBMITTED BY SENATOR KASTEN

SENATOR KASTEN: Mrs. Szekely, your appropriation request for this fiscal year is $11.3 million, $500,000 less than the current year. You also utilize local currencies from the Social Progress Trust Fund — How much do you think you'll utilize in FY 87, and how much do you anticipate utilizing in Fiscal Year 1988?

MRS. SZEKELY: Based on a total budget of $26.8 million in fiscal year 1987 and $27 million in fiscal year 1988, the Foundation anticipates using all the $15 million in Social Progress Trust Fund resources available during fiscal year 1987 and $15.7 million during fiscal year 1988. Based on the Foundation's requested appropriation, the Foundation would maintain a $22 million grant-making and learning program in both years.

SENATOR KASTEN: I understand that that the availability of funds from the Social Progress Trust Fund continues to shrink, and therefore I think we would be interested to know whether you anticipate requesting much larger dollar appropriations in the coming years. Do you?

MRS. SZEKELY: The Foundation's proposed annual budget is submitted each year to the Office of Management and Budget for its approval before the budget request is submitted to Congress. Subject to consultation with OMB and its approval, the Foundation would request an increased dollar appropriation if alternative funding cannot be identified to offset the loss of Social Progress Trust Fund resources. This request would be intended to maintain the Foundation's operations at an annual budget of no less than $27 million.

SUBCOMMITTEE RECESS

Senator INOUYE. I thank you very much for your testimony. The subcommittee will stand in recess until Tuesday, March 31, at 10:00 a.m., and at that time, we will receive testimony from support of the President's request for the Peace Corps and for the African Development Foundation.

We also hope that we may be able to receive testimony from the AID's Assistant Administrator for the Near East in Asia. So until then, we are in recess.

Ms. SZEKELY. Thank you very much.

[Whereupon, at 12:15 p.m., Thrusday, March 26, the subcommittee was recessed to reconvene at 10 a.m., Tuesday, March 31, 1989.]

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, MARCH 31, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m. in room S–126, the Capitol, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Lautenberg, and Harkin.

AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF M. PETER McPHERSON, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

ACCOMPANIED BY:

JAMES A. NORRIS, DEPUTY ASSISTANT ADMINISTRATOR FOR ASIA

ROBERT H. BELL, DEPUTY ASSISTANT ADMINISTRATOR FOR MIDDLE EAST

OPENING REMARKS OF SENATOR INOUYE

Senator INOUYE. The subcommittee will please come to order. This morning we continue our examination of the President's request for fiscal year 1988 funding of foreign assistance. Today we will hear testimony in support of funding requests for the Peace Corps and for the African Development Foundation.

In addition, the subcommittee had anticipated that it would receive testimony today from Mrs. Julia Chang Bloch, who has been named Assistant Administrator of the AID Asia/Near East Bureau. Although Mrs. Bloch has been named to this position and has twice been scheduled to appear before the subcommittee, she has not been allowed by the administration to appear in support of the fiscal year 1988 funding request.

The subcommittee regards Mrs. Bloch as the responsible administrator for the Asia/Near East Bureau and is prepared to receive testimony from her. The White House, however, continues to have doubts about the authority of her appointment as Assistant Administrator. Therefore, while we would have welcomed Mrs. Bloch here this morning, we have decided that we can wait no longer to receive her testimony and will instead hear the justification for the request from the responsible administrator at the next higher level in the Agency for International Development.

Mr. Peter McPherson, Administrator of the agency, will present the justification for the funding.

Following the discussion with Mr. McPherson, the subcommittee will resume its scheduled hearing with Mrs. Loret Miller Ruppe, the Director of the Peace Corps. Mrs. Ruppe holds the distinction of having been the director for 6 years; that is longer than any of her predecessors. If I may say so, she has been very effective and very successful in what has not always been an hospitable environment.

Also joining us today is Mr. Leonard H. Robinson Jr., the President of the African Development Foundation. Mr. Robinson has only been the president of the foundation for 3 years. Nevertheless, his administration has placed the foundation on a firm foundation, taking it from its unstable beginnings to its present maturity. It can now be judged on the quality of its management and programming.

We will begin with Mr. McPherson.

Mr. McPherson, it is always a pleasure to welcome you, sir.

Mr. McPHERSON. Mr. Chairman, it is very pleasant to be here again. As you know, we particularly appreciate the relationship we have had with this subcommittee. I have some very brief remarks. I would like to have the formal remarks entered into the record.

Senator INOUYE. Without objection, all of the statements will be made part of the record.

BUDGET REQUEST

Mr. McPHERSON. This program for the total area is a $3.1 billion program. However, I think it is important to separate this out to the various parts. Two countries in the region take up a substantial part of the total budget. Moreover, when you separate out programs such as Pakistan, with a heavy foreign policy orientation, there is about $600 million left for North Africa, Asia and the Pacific and so forth. So it is a program which I think, realistically, is divided in several ways.

INTRODUCTION OF ASSOCIATES

With me, I have Mr. Jim Norris, who is the Deputy Assistant Administrator for Asia, a long Asian hand, and Mr. Bob Bell, who has been for some time the Deputy Assistant Administrator for the Middle East.

PREPARED STATEMENT

Mr. Chairman, it is good to be here, and I welcome any questions you might have.

[The prepared statement of Mr. McPherson follows:]

PREPARED STATEMENT OF M. PETER MCPHERSON

ADMINISTRATOR

AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to testify on behalf of A.I.D.'s programs in Asia and the Near East. I recognize we face a major challenge in this critical region of the world and look forward to working closely with this subcommittee to contribute to resolution of the many complex issues we confront.

A.I.D.'s Asia and Near East Bureau administers programs which serve a broad range of political and economic objectives. Geographically, the Bureau is responsible for a span of countries from Western Europe though the Middle East to Asia and the Pacific. These countries' economies differ greatly and they confront very different development problems, from those of the very poor countries of South Asia to Middle Eastern countries with severe balance-of-payments problems to comparatively sophisticated middle-income countries in Europe. In much of the region, the United States' own economic interests are growing rapidly as these countries are becoming more important trading partners. Countries in the region also provide vital support for many of the United States' most important foreign policy objectives.

For FY 1988, we are proposing new appropriations of $349.890 million of Development Assistance and $2,787.5 million of ESF. When combined with $516.008 million of P.L. 480, our total economic assistance request is $3.653 billion. We are also requesting a supplemental appropriation in FY 1987 of $37.0 million of ESF. Assuming enactment of these amounts, our FY 1988 request for total economic assistance is $54 million below the level for FY 1987.

Though the overall level of economic assistance to Asia and the Near East is large, foreign policy priorities severely constrain our budget. In some cases, particularly for Development Assistance programs in South Asia and Indonesia, the FY 1988 budget continues a pattern begun in FY 1986 and 1987, when budget cuts of over 25% from FY 1985 levels were necessary in some countries. Considering our foreign policy and humanitarian interests and our own economic opportunities in this region, I feel that the FY 1988 request is the minimum necessary to meet our needs.

We must, of course, face the need to reduce our own budget deficit, and I recognize the special political and developmental needs of Central America and Africa. I do feel, however, that we have very important strategic and developmental interests in Asia and Near East, and we must ensure they are adequately funded.

In terms of our foreign policy interests, our foreign economic assistance programs in this region support a wide range of our most important interests: peace in the Middle East, political and economic stability on the southern flank of NATO, containment of Soviet aggression in Southwest Asia, transition to an open and democratic society in the Philippines, and security and economic growth in Southeast Asia and for our neighbors in the South Pacific.

These countries also represent important development challenges. More people are hungry, more children are born, more children die and there is more illiteracy in Asia and the Near East than in the rest of the developing world combined. The overriding development concern of A.I.D.'s programs is and will continue to be the vast number of people trapped in deep and oppressive poverty. In addressing this concern, we have several interrelated objectives which we are pursuing:

-- Increased economic growth is essential to reducing poverty. Our strategy is to work with countries to create the policy environment necessary to permit growth. In most cases, this includes a strengthened role for the private sector.

-- Elimination of hunger and malnutrition will depend on the creation of productive employment in rural areas and the growth of rural incomes. New employment must come both in agriculture and labor-intensive enterprise. As incomes grow, the poor will be able to procure food, reducing hunger and at the same time increasing effective demand for domestic agricultural output and for agricultural imports from the U.S.

-- More effective development institutions are necessary to improve performance in a wide range of sectors, from private capital markets to agricultural research. In many cases, this involves training to enhance human resources. Our FY 1988 proposed program will help finance training for over 6,500 participants in the Asia and Near East region. In many of these countries, former A.I.D. participants have returned to assume important leadership positions in government, in universities and other development institutions, and in the private sector.

-- Improved access to family planning services will enable couples who so desire to control the size of their families. In many cases, population growth in Asia is driven by unwanted births in poor families and results in more hunger, higher infant and maternal mortality and reduced economic productivity of rural women.

-- Reduced child and infant mortality would enhance the lives of millions of families throughout the region. Simple technologies such as Oral Rehydration Therapy and mass immunization programs have already proven feasible. The potential humanitarian impact of successful programs is tremendous, and the improved family security and productivity would have significant economic impact as well.

-- Improved systems for generating and using energy are essential for agricultural and industrial growth. Energy use must continue to grow rapidly throughout the region to permit economic growth and to accommodate increased population growth.

-- Throughout the region, economic growth and population expansion will combine to create substantial additional demands on all resources. In large measure, the ability of these countries to sustain development progress and to maintain an acceptable quality of life for their people will depend on their ability-- with our help-- to manage their natural resources effectively and to protect the environment.

A.I.D.'s Accomplishments

In pursuing these important but complex objectives, we can take considerable satisfaction from our many accomplishments so far. Many countries in the Asia and Near East region have made remarkable economic progress over the past several years, much of it attributable to assistance from the U.S. and other aid donors. Others seem to be on the verge of making the difficult policy choices necessary for them to progress as well.

-- Most countries have expanded food production rapidly through the introduction of irrigation and high yielding seeds. As a result, many, particularly in South and East Asia, are now near market self-sufficiency in food, though substantial additional food must be made available through production and imports to reduce hunger and malnutrition and to feed growing populations.

-- Most of the countries in the region recognize the intense demand on already scarce resources which can be created by rapid population growth. In some, such as Thailand and Indonesia, the population growth rate has fallen substantially. Thailand's growth rate has fallen from 2.9% per year in 1970 to 1.8% in 1986 and Indonesia's from 2.7% to 2.1%.

-- We have been able to initiate Child Survival programs in most of the major countries in the region, including Egypt, Morocco, Yemen, Pakistan, India, Bangladesh, Burma, and Indonesia. Given the potential impact of the new Child Survival technologies, we anticipate these programs will have a substantial impact on infant and child mortality in the region.

-- Finally, we count the progress A.I.D. has made in this region on economic policy issues as among our most important accomplishments. Most countries in the region recognize that an appropriate economic policy framework is essential to economic growth and prosperity and are now prepared to pursue necessary structural adjustment programs. Sometimes the IMF is involved, as in the Morocco, Tunisia, Philippines, Bangladesh and Nepal. In other cases, A.I.D.'s programs continue to support ongoing consultations on an appropriate policy framework.

Aid and U.S. Economic Interests

Successful foreign assistance programs serve our foreign policy interests and support the development prospects of millions of poor people. As important, our foreign aid also serves directly our own economic interests. Many countries in the region are becoming increasingly important trading partners of the U.S., providing new markets for our manufacturing and agricultural exports and helping to control the flow of illegal drugs. There is a positive relationship between aid and trade; continued U.S. participation in these markets, which have tremendous potential for growth and represent our markets of the future, is clearly in our own long-run interest.

U.S. Development Assistance Leadership

Many countries in the Asia and Near East region have looked to the U.S. to provide leadership in helping them solve their development problems. We have been among the largest of donors and have a proven record of important accomplishments. The U.S. is also an influential voice in multilateral lending institutions such as IDA and the Asian Development Bank. As a result of all these factors, A.I.D. has been able to promote a more coordinated approach among all donors, enhancing the effectiveness of our policy dialogue. We expect to continue to play a leadership role, even though our resources are declining somewhat. We also expect other donors' influence will increase, particularly Japan's in the Asian and Pacific region, as they substantially increase their foreign assistance programs.

In summary, our proposed FY 1988 foreign assistance programs serve a broad range of critical U.S. interests. I would like to comment briefly on our programs in the region.

East Asia

For the Philippines in FY 1988, A.I.D. is proposing $13.0 million of Development Assistance and $124 million of ESF. In addition, a $10.6 million P.L. 480 Title II program is proposed for FY 1988. The $250 million appropriated for FY 1987 included the special $200 million in assistance to provide additional support to the new Aquino government.

The past year has seen the beginnings of a transformation of the Philippines. One year after President Aquino came to power we are beginning to see important signs of economic progress and renewed confidence is being demonstrated by the Government and by the people at large. GNP in the last quarter of 1986 was 3 percent above the level for 1985 so that output for the entire year showed a small increase. Consumer prices were essentially stable over the past year and foreign reserves increased to a more secure level of $2.5 billion. Much remains to be done, but the Aquino government can be proud of the progress made so far.

The most important problems facing the Philippines remain the structural distortions of the existing economy. Reforms are necessary to resolve these distortions so that rapid growth can proceed without aggravating the balance of payments. We plan to make our ESF funds in both FY 1987 and FY 1988 available for this purpose. We have now reached agreement with the government that the best use of ESF would be to provide the funds in two general categories: first for budget support, disbursements of which would be linked to already announced GOP policy reforms in areas such as privatization, trade liberalization and deregulation of the economy; and second for projects consistent with the Aquino Government's recently developed Medium-Term Philippine Development Plan. Through this combination of project assistance and budget support, we hope to assist the Government in accelerating implementation of its policy reforms and also to provide funding for development investments from which the GOP will derive long-term benefits.

The Development Assistance budget, which is now funded at levels substantially below those provided through FY 1985, will support critical needs in agriculture, health, population and education. Beginning in FY 1988, we also plan to begin a new Child Survival project.

For Thailand in FY 1988, A.I.D. is proposing $16.0 million of Development Assistance and $5.0 million of ESF, the same levels as FY 1987.

Thailand's economy is undergoing rapid transition to middle income status. However, declining world commodity prices and shrinking export opportunities have resulted in slowing development momentum. Growth in Gross Domestic Product in real terms declined from an annual average of 7% in the late '70s to less than 5% since 1982. Debt service costs increased as total external debt doubled in five years to $15.5 billion. Nevertheless, Thai management of their economy is fundamentally sound and medium term economic prospects appear comparatively bright.

In response to Thailand's changing economy, A.I.D. has begun to emphasize a program focused on: (1) scientific and technological modernization, (2) stimulation of rural private enterprise, (3) strengthening of Thai natural resource and environmental management capability, (4) policy dialogue on such development problems as tax administration and reform and foreign debt management, and (5) support for Private Voluntary Agency development initiatives, especially in narcotics suppression and prevention.

In addition, ESF funds will be used to help stabilize and increase the productivity of rural communities along Thailand's border with Cambodia and Laos. As a "front line state," Thailand is central to the preservation of regional security in the face of continued Vietnamese occupation of Cambodia. The United States continues to support strongly Thai humanitarian efforts to provide asylum and relief for Cambodian refugees.

For the Cambodian Resistance in FY 1988, A.I.D. is proposing $5 million of ESF for non-lethal support for the forces.

The objectives of this assistance to the non-communist forces are:

- -- to respond to ASEAN's February 1985 appeal for international support for the non-communist resistance;
- -- to demonstrate tangible U.S. support for the ASEAN strategy on Cambodia;
- -- to improve the positioning and strength of the non-communist forces vis-a-vis the Khmer Rouge and help provide a counter weight to the Khmer Rouge within the coalition Government of Democratic Kampuchea; and
- -- to strengthen the actual effectiveness of the resistance forces themselves.

For Indonesia, A.I.D. is proposing $45.0 million of Development Assistance (DA) and $13.5 million of P.L. 480.

Indonesia's economy is currently undergoing an extremely difficult adjustment to the changing global economy, especially to the rapid decline in oil prices. Annual growth in real terms fell almost to zero in 1982/83, after averaging 8.0% for the preceding ten years, and in 1985/86 was a limp 1.5%. Based on projections of comparatively slow growth and annual population increases estimated at 2%, Indonesia appears to be entering a period of low growth in per capita income, which stood at about $540 per year in 1984.

To meet the challenges posed by the current international economic environment, the Government of Indonesia has introduced a series of significant policy reforms over the last three years. Major currency devaluations in 1983 and 1986 were designed to curtail imports and stimulate exports. The Indonesians also introduced a progressive tax system, postponed large capital projects, reformed banking regulations, and streamlined ports and customs procedures.

These impressive steps are now being strengthened by additional trade liberalization reforms. A.I.D.'s program will support such developmentally sound changes in the country's economic structure through a policy reform support program planned to start in FY 1987. In addition, our program will focus on three goals: expanding off-farm employment, strengthening and diversifying food production, and improving primary health care and family planning.

For the South Pacific in FY 1988, A.I.D. is proposing $4.0 million of DA, the same as FY 1987, and $11.7 million of ESF. The ESF level is $11.2 million higher than FY 1987, reflecting additional funding for ongoing fisheries projects and $10.0 million for the new Tuna agreement which has recently been negotiated. In addition, $1.5 million of ESF is requested for the Fiji bilateral program.

A.I.D.'s assistance is provided primarily through regional institutions and as small grants to local communities. In terms of overall resource levels, fisheries is the predominant sector of U.S. assistance.

For Burma in FY 1988, A.I.D. is proposing $8.0 million of DA, the same as FY 1987.

Burma is one of the poorest nations in the world, with an annual per capita GNP of $180. It continues to be governed by a rigid socialist system with extensive governmental control over all sectors of the economy, and also has a substantial foreign debt service burden compared to other countries in the region. However, Burma is also the largest and least densely populated country in mainland Southeast Asia and has vast untapped resources. As a result, Burma has immense long-range development potential.

A.I.D.'s program concentrates on providing training and technological and institutional development in sectors which show the most promise such as maize and oilseeds production, where Burma has adopted high yielding variety technology, and primary health care. We also have a major child survival project which is beginning this year. Our program is carefully tailored to meet the political and economic constraints of the current Burmese environment, while demonstrating the value of U.S. technology and exposing a new generation of Burmese to modernization to build a foundation for the future.

Our small program has strengthened our current bilateral relations significantly and has encouraged much deeper Burmese cooperation with the U.S. in efforts to control the production and export of heroin.

A.I.D. also is proposing continuation of important Regional programs at approximately the same level as in FY 1987. The two largest are assistance to the Association of Southeast Asian Nations (ASEAN) at $4.0 million, and the Asian-American Free Labor Institute (AAFLI) at $3.7 million. ASEAN promotes improvement of regional institutions, technical exchange and strengthening of the private sector in Southeast Asia and provides important political support against Vietnamese and Soviet military pressure in the region. AAFLI operates labor support programs in the Asian region. In addition, our regional program provides a variety of smaller activities on a regional basis such as human rights, narcotics education, private voluntary organizations, child survival support and also funds feasibility work, project design and development and evaluation of programs throughout the entire Asia and Near East region.

South Asia

For Afghanistan in FY 1988, A.I.D. is proposing $15.0 million in ESF and $15.0 million in DA funding for a total of $30.0 million, the same as last year. If the current Title II program consisting of wheat and vegetable oil is successful, we anticipate providing assistance in FY 1988 by using funds from P.L. 480 reserves.

The Soviet invasion in 1979 has seriously disrupted economic life in Afghanistan, one of the world's most isolated and economically underdeveloped countries. As war has raged through agricultural valleys, infrastructure, including vitally important irrigation systems, have been severely damaged, causing localized food shortages. The medical situation is especially serious, since thousands are killed and wounded each year. Education has deteriorated considerably-- from substandard to nonexistent in most areas.

The aim of A.I.D.'s program for war affected Afghans is to improve the ability of the Afghans to sustain themselves inside Afghanistan. Eventually, we hope to reduce the flow of refugees and ultimately to encourage voluntary repatriation.

Our assistance in 1988 will build on health, education, agricultural, and commodity programs started in FY 1986 and 1987 with the resistance Alliance. A.I.D. resources will also be granted to the many international and U.S. PVOs which are making valuable contributions in the health sector, education and agriculture. We expect to make available approximately $10 million to these organizations in FY 1988.

In monitoring and accounting for A.I.D. resources, we need to adopt flexible approaches. As we have stated before, normal monitoring and accounting procedures will be practiced within Pakistan and to the extent possible in Afghanistan. Given the unique nature of the program with its attendant security concerns, end-use monitoring and accounting may vary with individual activities as situations warrant. Hence a variety of approaches may be used.

For Pakistan in FY 1988, A.I.D. is proposing $50 million in Development Assistance and $250 million of ESF. In addition, $80 million of P.L. 480 Title I is proposed. FY 1988 is the first year of a proposed six year program of $2.28 billion in economic assistance. The FY 1988 level is $25 million higher in Development Assistance and $30 million higher in P.L. 480 than FY 1987.

U.S. assistance to Pakistan is designed to help preserve and promote the economic and political stability of a front-line state which, in addition to its own development concerns, must deal with the multiple domestic consequences of a ruthless war across and along its borders waged by the Soviet Union. The Soviet occupation of Afghanistan has forced nearly 3 million Afghans to take refuge in Pakistan. As a demonstration of the U.S. commitment to support Pakistan throughout this ordeal, our six year program of assistance will help enhance economic and social development of the Pakistani people.

The proposed program builds on existing activities and sectors of emphasis, reflecting agreement between the Governments of the United States and Pakistan on the need to focus on agriculture and irrigation, health and population. The program has four cross-cutting objectives: (1) provision of fast disbursing short-term balance of payments support; (2) support for longer term development efforts; (3) assistance to eradicate poppy production; and (4) aid to lagging areas on the Afghan border which have been given a high Pakistani domestic political priority.

The elimination of opium poppy culture in Pakistan is an especially important U.S. policy objective. A.I.D. support for opium eradication is channeled through the $30 million Northwest Area Development Project which represents a comprehensive attempt to promote area-targeted development. The project seeks to increase the yields of traditional food crops and promote new cash crops and attempts to improve livestock, physical infrastructure, and public services in this major opium growing area. Government of Pakistan enforcement programs, after insufficient effort to enforce the poppy ban in 1985/1986, are now taking necessary measures in the Northwest Frontier Area Development Project area, including a public awareness campaign on the dangers of drug abuse, stern public warnings about enforcement in time to permit farmers to plant alternate crops, on-the-ground eradication, and preparation for an aerial spraying campaign.

For Bangladesh in FY 1988, A.I.D. is proposing $60 million of DA and $73.9 million of P.L. 480.

Bangladesh has an annual per capita GNP of $130 per year, an infant mortality rate of 138 deaths per 1,000 live births, life expectancy of 50 years, and literacy of only 29%. Malnutrition is endemic, especially in chronic food deficit districts. By all measures, Bangladesh is among the poorest countries in the world.

Nevertheless, there has been encouraging progress during the past few years. A rapid expansion of irrigated agriculture has lead to increased cropping intensity and adoption of higher yielding crop varieties. Family planning programs, including those run by non-governmental organizations, are continuing to improve delivery of services. Most important, the government continues to implement a far-reaching economic reform program, including realistic budgets, reduced subsidies and greater reliance on market mechanisms. For example, the government has reduced subsidies on fertilizer and foodgrains in the past year and will raise the wholesale price of electricity by 20% on March 1st of this year.

A.I.D. has concentrated successfully on developing a multi-faceted policy dialogue with the Government of Bangladesh. Significant levels of assistance, combined with policy analysis and quality technical assistance have created an atmosphere of mutual confidence that permits A.I.D. to advise and consult with the government on critical economic policy issues. The current program focuses on reducing fertility and infant mortality, increasing agricultural productivity and expanding rural employment.

For India in FY 1988, A.I.D. is proposing $50 million of DA, a decrease of $3 million from FY 1987, and $83.9 million of P.L. 480 Title II, an increase of $9.2 million over FY 1987.

The Indian economy is a dichotomy, part industrialized and growing, part rural, agrarian and poor. India is the nineteenth largest industrial economy in the world and ranks twelfth in total GNP. India also has the fifth largest pool of scientific and technological manpower in the world. At the same time, an estimated 350 million people remain fixed in bitter poverty.

Thus, India still presents, in terms of human impact, a tremendous development challenge. The United States is also India's major non-OPEC trading partner and second largest private investor. Given this historical relationship and India's potential for growth, there is a substantial U.S. interest in a developing Indian economy.

A.I.D.'s program supports India's development priorities through activities aimed at improving agricultural productivity and rural incomes, child survival and nutrition, and developing alternative energy sources and commercial technologies. The program is tied together by a cross-sectoral emphasis on research and technology development and the broadening engagement of the private sector and other non-governmental institutions in the solution of development problems.

For Sri Lanka in FY 1988, A.I.D. is proposing $16.790 million of Development Assistance, slightly less than last year. In addition, a $16.5 million P.L. 480 program is proposed for FY 1988.

Sri Lanka is currently facing a particularly difficult set of economic problems resulting from an enormous drop in tea prices, the decreasing availability of jobs in the Middle East, reduced tourism receipts and the need to spend increasing amounts on defense in order to cope with the insurgency in the north and east. Despite these constraints, the government has taken a number of market oriented reforms including closing some unprofitable parastatals and turning others over to private sector management.

Though some adjustments in individual projects have been necessary as a result of the insurgency, A.I.D. continues to manage an effective program to help Sri Lanka focus more on accelerating economic growth while maintaining basic social services and democratic institutions. Two major private sector projects are planned for authorization in FY 1988 to give practical assistance in the privatization of state-owned enterprises and to promote the growth of rural enterprises in the Mahaweli basin areas.

For Nepal in FY 1988, A.I.D. is proposing $13 million of DA, the same as FY 1987.

Nepal is also among the poorest countries in the world, with a per capita income of $160 per year. Approximately 90% of the population is employed in agriculture. Less than 20% of the adults and only 5% of women are literate. Infant mortality is 106 per 1,000 live births.

Nevertheless, the Government is committed to improving living conditions and has demonstrated a willingness to make the difficult decisions necessary to promote growth. Nepal is undertaking a significant macroeconomic reform program in conjunction with assistance from the IMF and the World Bank.

The A.I.D. program in Nepal addresses basic human needs, working to increase rural productivity and rural income, improve natural resources management, and broaden access to basic services such as health care, family planning and education.

Near East

These programs help to advance our primary foreign policy goals of strengthening regional political stability in the Near East and the continued development of nations involved in the ongoing Middle East peace process. In addition, these programs provide much needed training, technical assistance, and financial support to poor people and countries. Our assistance helps recipients to increase their incomes and improve the quality of their daily lives.

For Egypt in FY 1988, A.I.D. is proposing $815 million of ESF, the same level as FY 1987. In addition, $182.5 million of P.L. 480 food aid is proposed.

Egypt continues to be critical to achievement of one of the United States' most important foreign policy objectives, peace in the Middle East.

Egypt's economic situation has deteriorated markedly in recent years in spite of high levels of foreign aid from a variety of Western sources. This difficult situation has been compounded by external circumstances stemming from declining world oil prices. The resulting dislocation has outpaced the government's ability to react and to introduce the fundamental structural adjustments needed to accommodate new economic realities. The government has taken some significant steps to promote economic change. However, if it continues to borrow to maintain historic levels of consumption, the prospects for self-sustaining economic growth remain distant. Egypt must accelerate its structural adjustment process and now appears committed to doing so.

This reform effort will be strongly supported by an A.I.D. development strategy designed to help increase productivity and improve the quality of Egyptian life. A broad program of project and nonproject assistance is being directed principally toward improvement of public policies at the macroeconomic and sectoral levels and promotion of Eygpt's private sector. The program concentrates in four major areas:

- balance of payments support to promote stability and growth while the Egyptian Government goes through the difficult process of economic policy reform;
- development of an economic infrastructure;
- improvement of productivity in private sector agriculture and industry; and
- development of human resources.

A.I.D.'s program in Egypt provides both visible evidence of the support and good will of the American people and financial support to help ease an economic adjustment process that is essential to long-term stability and self-sustained economic growth in Egypt.

For Israel in FY 1988, A.I.D. is proposing $1.2 billion of ESF, the same level as FY 1987.

A.I.D.'s cash grant program will support the Israeli Government's continuing efforts to promote productive investment, reform taxes, reduce the role of the public sector and otherwise encourage more efficient use of Israel's resources. The National Unity Government formed in September

1984 has already made substantial economic progresss, reducing inflation sharply and increasing foreign exchange reserves. U.S. support, particularly the supplemental appropriation enacted in 1985, has made an important contribution to the Israelis' own efforts. Through the Joint Economic Development Group, formed by President Reagan and then-Prime Minister Perez, the U.S. will continue to review the appropriate role of U.S. assistance in furthering reform and development.

For Morocco in FY 1988, A.I.D. is proposing $15 million of Development Assistance and $20 million of ESF. In addition, A.I.D. is proposing $43.5 million of P.L. 480. The FY 1987 supplemental request also includes $10 million of ESF for Morocco.

The Government of King Hassan has long been a moderate influence in the Arab world, has frequently supported U.S. policies in the Middle East, and has agreed to permit access and transit by U.S. forces at Moroccan bases in certain contingencies. In the summer of 1986, the King invited the Israeli Prime Minister to Morocco for direct discussion on the Middle East and later withdrew Morocco from the "Union Agreement" with Libya. Both initiatives advance U.S. interests in moving toward a more peaceful Middle East.

A.I.D.'s development strategy for Morocco emphasizes increased economic growth, increased food supply, reduced population growth and improved primary health care, and improved management of energy and natural resources. A.I.D. will help Morocco achieve adequate and productive investment levels in spite of a severe debt burden as the Moroccans reshape their economy toward greater efficiency and competitiveness

For Tunisia in FY 1988, A.I.D. is proposing $20 million of ESF. In addition, A.I.D. is proposing $5.0 million of P.L. 480.

Tunisia continues to have strategic importance in U.S. planning in the Mediterranean Basin. A moderate Arab state, Tunisia has continued to maintain an open line of communication with the United States in a year marked by growing political problems in the Arab world. However, the serious economic problems which Tunisia now faces threaten the continuation of the stable, open society which has existed in Tunisia since independence.

Between 1980-1985, the average growth rate declined to 3.9%. Oil prices declined sharply and employment of Tunisian manpower in Europe, the Middle East and Libya dropped significantly. The entry of Spain and Portugal into the European Economic Community cut into Tunisian exports. Tourism revenues declined as well. In response, the Tunisian Government began implementation of a far reaching structural adjustment program with the support of the World Bank and the IMF.

A.I.D.'s program will also support Tunisian structural adjustment. This year, a larger share of our funds will be used to finance a Commodity Import Program. Remaining resources will be concentrated on private sector development and agricultural production to help set the stage for self-sustaining economic growth.

The $18 million requested in ESF for Jordan for FY 1988 will continue to fund activities that implement the fundamental strategy change initiated a year ago. With remittances and Arab donor aid down, Jordan's per capita income is expected to fall. In 1986 we and the Jordanians jointly analyzed the major constraints in the economy (rapidly increasing unemployment, a substantial trade imbalance, and a foreign exchange shortage) and decided to shift A.I.D.'s development strategy from the capital intensive public infrastructure projects of the past. Our programs are now focussing increasingly on supporting Jordan's private sector as the central "engine for development."

We will be working with Jordan's public sector to create a more favorable policy environment for the private sector. We will also work with the private manufacturing and services sectors to make them more efficient, productive, and competitive. Jordan is a resource-poor nation in practically everything but people. We want to work with Jordan's people--to support the entrepreneurial spirit that can increase the productivity of the economy and create new jobs and increased foreign exchange.

We will also support Jordan's bold new initiative to upgrade the skills, abilities, and incomes of Palestinians in the West Bank and Gaza. U.S. funds will be used by Jordan to support a variety of projects in such sectors as education, agriculture, and industry. These funds, and those of other donors, will supplement Jordan's own resources of money and people devoted to economic development activities in the West Bank and Gaza.

The $300,000 in ESF requested for Lebanon in FY 1988 will replenish grants to American and indigenous private and voluntary organizations courageously continuing their life-supporting relief and rehabilitation programs. This amount will be supplemented by funds remaining from the supplemental appropriation for Lebanon approved in 1983. We will continue to give first priority to helping the victims of the fighting, those needing food, shelter, medicine, and medical services. U.S. support to American schools in Beirut will also continue--from Regional ESF and ASHA funds.

For Oman in FY 1988, A.I.D. is proposing $20 million. In addition, $5 million is requested in the FY 1987 supplemental. The $20 million requested in ESF for FY 1988 will finance projects and activities planned and administered by the Joint Commission, a successful endeavor of Omanis and Americans working together to deepen the economic dimension of the Omani-U.S. relationship. The funds will be used to develop Oman's scarce water resources, to support fisheries development, and to continue undergraduate and graduate training in the United States. These proposed activities focus on Oman's priority problems: water scarcity, a dearth of skilled Omanis, and the need to develop alternatives to petroleum as generators of foreign exchange.

Oman's economy remains highly dependent on the oil sector, which accounts for most of its income. As world oil prices have declined, Oman's modernization efforts are being scaled back. A.I.D. is concentrating its long-term support on modernization and diversification programs and on training the manpower and developing the scarce arable land and water needed to feed the population.

For Yemen in FY 1988, we are requesting $22 million in DA and $5 million in PL 480 Title I. These funds will be used for continued institutional development in agriculture, including agricultural education, on-farm water use, and technology transfer, and for an assessment of Yemen's primary education system. A.I.D. will continue to emphasize child survival programs, particularly in expanded primary health care systems, and to complete work to improve Yemen's rural water supply. PL

480 Title I will provide needed balance of payments relief and will also generate local currency to be used for activities to increase agricultural production and productivity.

Despite recent oil discoveries, Yemen continues to confront serious economic difficulties. This will not change in any fundamental way when Yemen begins to realize a return from oil exports, probably late next year. Oil production levels will be quite modest. Foreign exchange earnings will probably do no more than offset declining remittances and donor aid. Yemen will continue to need assistance in support of its priority objectives of agricultural growth, exploitation of oil and mineral resources, development of human resources, industrial development, and expansion of education, primary health care, and other social services.

Regionally Funded Programs

Three ESF programs in the Middle East are funded under the Regional account. We are requesting $12 million for our West Bank and Gaza programs. Implemented almost exclusively by U.S. and local private and voluntary organizations, these programs help improve living conditions and expand employment and income earning possibilities for Palestinians residing in the West Bank and Gaza.

We intend to continue a variety of activities covering a broad spectrum of needs and PVO capabilities, including rural development, education and human resource development--from pre-school to vocational and post-graduate training--and health education. We also plan to increase support for private enterprise development. Increasingly, A.I.D.'s thrust in the West Bank and Gaza will be employment and job creation via the private sector. Because of different needs in Gaza, however, A.I.D. will continue to support selected social services and infrastructure building, particularly for environmental sanitation. We are also requesting $1.5 million in Title II commodities to continue assistance to the needy in Gaza and the West Bank.

Our request for $5 million for Regional Cooperation projects will allow A.I.D. to continue supporting activities to strengthen the peace process and increase mutual understanding between Israel and its Arab neighbors, especially Egypt. Current activities focus on agriculture, health, and ocean sciences. We also anticipate proposals for new activities in agriculture-related fields that will expand areas of Israeli-Arab cooperation.

Finally, we are requesting $2 million in support of the American University of Beirut--a venerable institution continuing to serve the region as a model of American ideals, values, and teaching methods.

Europe

These five ESF funded activities all involve less direct A.I.D. management responsibility than most programs. Rather, we are contributing either balance of payments support or working through intermediaries who are developing a number of project or training activities designed to further the economic and social progress of these countries.

For Turkey in FY 1988, A.I.D. is proposing $125 million of ESF. The objective of U.S. assistance is to continue support of Turkey's economic stabilization program. The Turkish

Government has made important progress in opening its economy to market forces. We expect Turkey to continue pursuing policies designed to encourage development of the private sector and to enhance the climate for foreign investment. Although Turkey's balance of payments has shown marked improvement, the framework for economic recovery is still fragile. Turkey's debt-service payments are heavy, and continued importation of goods and services is necessary if economic growth is to continue. We are requesting $125 million in FY 1988 as a cash grant to further support Turkey's economic reforms and stabilization efforts.

For Cyprus in FY 1988, A.I.D. is proposing $10 million of ESF. Our assistance to Cyprus demonstrates continued U.S. concern for the Cypriot people and our active interest in promoting cooperation between the Greek and Turkish Cypriot communities. Since FY 1975, we have provided about $200 million to Cyprus. Over eighty percent of these funds have supported the U.N. High Commission for Refugees with the balance committed to the Cyprus-America Scholarship Program. The $10 million requested for FY 1988 is to continue this scholarship program as well as the UNHCR's work in both Cypriot communities.

For Northern Ireland and Ireland in FY 1988, A.I.D. is proposing $35 million of ESF. Last September, the British and Irish Governments established an International Fund for Northern Ireland and Ireland. The main objective of the Fund is to stimulate economic revitalization in order to promote employment and private sector growth. The Fund will encourage private investment and voluntary efforts through direct grants and loans and through creation of venture capital companies. My staff participated in the first meeting of the Board last December and we are impressed with the vigor and determination of its members to make the Fund succeed. Since then, a permanent U.S. representative has been appointed to serve on the Board. Having established its operating procedures and approved criteria for project lending, the fund should be approving its first projects in the next few months.

For Portugal in FY 1988, A.I.D. is proposing $80 million of ESF. In addition, $15 million is proposed in the FY 1987 supplemental.

Portugal is a founding member of NATO with important security, commercial and institutional linkages to the United States. In December 1983, Portugal signed a new agreement which authorizes continued U.S. use of facilities in the Azores until 1991. The proposed FY 1988 program supports this agreement and will provide an estimated $40 million to support the Azores development budget. The balance is expected to be used to help capitalize the Luso-American Development Foundation, which provides for technical cooperation between the United States and Portugal, principally in the private sector and in the areas of science and technology.

For Spain in FY 1988, A.I.D. is proposing $12 million of ESF in support of the agreement providing U.S. base rights. $7 million of ESF is also requested for this purpose in the FY 1987 supplemental.

Mr. Chairman, Members of the Subcommittee, I welcome the opportunity to answer any questions you may have on programs of the Asia and Near East Region.

APPOINTMENT OF JULIA C. BLOCH

Senator INOUYE. Thank you very much. I do not know whether you can provide this answer, but why has Mrs. Bloch been unable to respond to our invitations? If it is not within your authority to respond, I can understand.

Mr. MCPHERSON. As you know, I have transferred Mrs. Bloch from one assistant administrator position into another. This is an authority which is fairly clear under our statute, authority which I have exercised before. There is a long history for it, going back at least 10 years where there was a very clear example, and before that, we think, though the history books do not seem to be written clearly enough to take it a lot further back with absolute certainty.

It is also an authority that other agencies and other departments in this Government have. I did so upon a legal opinion and have further, since, conferred with the Office of Legal Counsel at the White House, who have informally confirmed the legality and properness of this move.

However, as you know, there have been questions about this, and it is the view that we should work out these issues with the outcome, in our belief, certainly on a legal basis being very clear before we proceed with having Mrs. Bloch here.

Senator INOUYE. Do you think we can expect to see her soon?

Mr. MCPHERSON. That would be my hope, Mr. Chairman. I regard Mrs. Bloch as a very strong and capable person who has done a good job in the past and will do so in the future. On the other hand, there is something to be said for working things out in a fashion that all issues can be answered, and I think we are in the process of doing so. I have appreciated your patience in this matter. You have certainly exercised it, sir.

PHILIPPINES ECONOMIC DEVELOPMENT PLAN

Senator INOUYE. Last May, when we passed the urgent supplemental, we provided $100 million for the Philippines. At that time we said that it was intended that the funds be used to assist the new government to implement this overall economic development plan with particular emphasis on supporting the government's policy reform and economic development strategies.

Do you believe that the government now has an overall economic development plan?

Mr. MCPHERSON. I do, sir. I think that they have moved fairly well in formulating that plan. We have been deeply engaged with them in doing so. You have noticed, I am sure, that the day before yesterday they reached an agreement with the banks. A portion of that agreement was a very innovative agreement that will augment, I think, some investment in private enterprise in the Philippines.

There are a couple of aspects of this plan which have not been fully or even in large part implemented, but they do have plans for these. That involves a trade liberalization as well as privatization of the two major financial institutions, financial institutions which have been the source of major deficits for the country of the Philippines in the past. It is our feeling that the disbursement of moneys should be, at least in part, in support of the implementation of the plans, which the Philippine Government now has largely in place.

Senator INOUYE. So you are saying that you have had financial reforms also?

Mr. MCPHERSON. There certainly have been some. The financial institutions, however, have yet to be privatized. That will be a big job. Now, we have about $250 million available for the Philippines this year. We would expect to have about 100 million of that be projectized and the other $150 million be cash disbursement to be disbursed, hopefully as I say, in connection with the implementation of the program which is now in place.

It is interesting, Senator, that Mrs. Aquino inherited many problems: massive corruption, many difficulties. But she did inherit a situation where inflation was relatively under control, where there were other aspects of the economy of the Philippines which were, relative to some of the countries with which I work, in fairly decent shape.

U.S. ASSISTANCE TO PHILIPPINES

Senator INOUYE. In fiscal year 1986, we provided the Philippines $488.7 million of which $379.3 million was in the form of economic assistance. In fiscal year 1987, we are providing $380.0 million of which $272.2 million is economic assistance.

Now, in fiscal year 1988, you are requesting $266.2 million of which $148.2 million is economic assistance. To what do you attribute this sharp decline in assistance?

Mr. MCPHERSON. There are a couple of factors.

Senator INOUYE. Have they improved that much?

Mr. MCPHERSON. There are a number of factors, two particularly. One is the tremendous austerity of our own situation. As you know, our overall budget problem is just enormous. And weighing all the factors, it is just extremely difficult to find now to get additional money for the Philippines or any other needy countries around the world.

I think everyone anticipated the large amount of money in 1986 was a combination of speeding up moneys in the pipeline, in fact rapid disbursement, as well as an immediate sort of shot in the arm that Congress wanted to give Mrs. Aquino, and we did too. It was viewed, we thought, as kind of an immediate push but not necessarily sustainable at that level.

It is also true, though, that the Philippines is not a very traditional developmental problem. I mean the Philippines is an economy where, the proper economic policies applied, things will happen quickly. One of the things that happened, for example, was they freed up the coconut monopoly and allowed farmers and others to export coconut oil and coconut meat. The result has been that the prices have gone up and there has been a lot of money going into the rural economy.

The growth rate in the Phillipines, I think, is now 3 or 4 percent. That is up substantially from even a year ago.

We think that the Philippines needs money, but we think that the economy of the Philippines best needs proper economic policies and management, and it is not, in large part, a foreign assistance problem. It is, in large part, some other kinds of aspects of the situation.

PHILIPPINE DEBT PROBLEMS

Senator INOUYE. What is the external debt picture of the Philippines?

Mr. MCPHERSON. $27 billion, and they have just negotiated with the banks what they regard, I think, as a good transaction, a good set of agreements. Moreover, they are working through the Paris Club, which substantially reduces their actual payments.

None of these situations is excellent, but I believe that through the Paris Club, through the bank negotiations, they are in much better shape.

Senator INOUYE. What is your role in trying to help that situation?

Mr. MCPHERSON. We have followed it closely. You may remember that I went to the Philippines immediately after Mrs. Aquino came to power to formulate a plan. And that plan, with perhaps not the speed that we had hoped, but in large part has gone forward.

I think the agreement with the banks 2 days ago was a very good sign, Senator. But I do not think, in all honesty, that—let's say we had another $100 million to give to the Philippines, which I do not see where we would get it—that is the solution to their problems. $100 million is good, and of course they would like it, and we are very complimentary of how they have gone. But in the scheme of things, we do not have it, and it would not anywhere near make the difference.

What they are doing for themselves in debt renegotiations with banks, the Paris Club, the economic policy context, and what we hope they will do, for example, privatization of these two major financial institutions and liberalization of trade, those are where, in our judgment, those answers are. And that is where the economic growth has come from.

Senator INOUYE. Can you have someone prepare an analysis of what you have just told us about the innovative agreement with the banks, how they handled the external debt picture? I would appreciate that.

Mr. MCPHERSON. We will be happy to do so.

Maybe, Senator, one word about that: the part that was innovative—and I should know it, and let me tell you about it, because it is kind of interesting—was that they are paying banks in part with notes which can be in turn taken to the Philippines immediately for Philippine currency and invested in the Philippines.

In short, it is sort of a new twist on a debt-equity swap arrangement. In my judgment, that is an interesting twist that I am sure other countries will be looking at.

[The information follows:]

DEBT RESCHEDULING

As of April 12, the Government of the Philippines [GOP] had agreement with the commercial banks on rescheduling of $13.208 billion in nontrade commercial debt. The government successfully negotiated a reduction of interest payments from rates varying between 1.625 percent and 1.75 percent over London Interbank Offered Rate [LIBOR] to a new uniform rate of .875 percent over LIBOR, with a grace period of 7½ years and a repayment period of 17 years. The new rate is retroactive to January 1, 1987.

The GOP announcement describes this reduction as the "largest given to a debtor country in the current round of rescheduling." In subsequent statements Philippine Secretary of Finance Ongpin has stated that these are more favorable terms than those obtained by Mexico. The interest rate is the same as that agreed upon with Venezuela and was initially strongly resisted by the committee of 12 banks representing the Philippines' commercial creditors.

Concessions to the Philippines on the interest rate, however, have been coupled with incentives for strict adherence to the agreed repayment schedule. The reduced rates will be in force as long as the Philippines continues to meet the amortization schedule which has been established. If this is not adhered to, rates will increase to 1 percent over LIBOR.

The agreement represents an important victory for the government and should provide an economic boost in the Philippines. The government estimates that the agreement will save a total of approximately $2 billion. In addition, deferred amortization of principal during the grace period will amount to over $9.3 billion.

Along with the announcement of agreement on the debt, the government also formally announced the issuance of the Philippine Investment Notes [PIN's] which it describes as "the preferred vehicle for funding equity investments in the Philippines." These are noninterest bearing, 6-year notes denominated in dollars but intended for immediate conversion to pesos for equity investments in approved areas. Although the PIN's are distinct from the debt interest payments, the government nonetheless hopes that these new financial instruments will attract some banks and that a substantial amount of interest payments will be returned to the Philippines in the form of new equity investments. In addition, they also hope that private investors will be attracted to them. The government announcement estimates that debt interest payments and private investments through PIN's will generate a total of approximately $1 billion in equity investments over the 17-year debt repayment period.

NEW PROJECT IN INDIA

Senator INOUYE. Let's go to Section 102, the laws of the private AID. That section states that the, quote, "principal purpose of the U.S. bilateral assistance is to help the poor majority in developing countries."

With your budgetary constraints and such, you have limited new starts to a bare minimum.

Mr. MCPHERSON. That is absolutely true.

Senator INOUYE. Yet, in fiscal year 1988 you have a new project entitled State Technology Development and Enterprise Project in Karnataka State, India. In essence, this project proposes to spend $5 million to establish a high-tech industry university coop center in Karnataka State. Your description says this project will pay for roundtables of business, academic, government institutions; create new financial instruments; and encourage new-venture development through entrepreneurial education.

How will this project focus on nutrition or health needs or the rural poor of which, I am certain all of us would agree, India has an overabundance?

Mr. McPherson. Let me put the context broadly, and my colleague, Jim Norris, may want to answer in more specific detail. When I arrived in AID in 1981, our India program was almost entirely a commodity drop and a resource transfer. We provided millions of dollars of fertilizer, millions of dollars of agriculture credit and sort of a budget support for new irrigation systems. I thought AID had more to offer India than that.

Over the years, what we have done is change the India program into a program that emphasized science and technology. India has a large pool of very competent trained scientists. We have a vaccine development program. Eastern India has a number of dry land areas where irrigation does not work. We put money and effort into trying to figure out that. A lot of poor people are there, as well, Senator, that would benefit from that.

We have moved into private enterprise in a fairly large way, or tried to. The project you speak of fits there. We continue to have a large feeding program in India.

But what we are trying to do with India which, after all at this juncture has an industrial capacity of roughly that of Italy, is to use what scientific strength to build on Prime Minister Gandhi's interest in entrepreneurship, job creation. It is a very innovative program that I believe things like the vaccine development will have a broad impact upon basic human needs.

Senator Inouye. And the Indian Government gives this high priority?

Mr. McPherson. Absolutely. Mr. Gandhi has been extremely interested in what we have done. In fact, I would say that there are very few countries in the world where there is a better synchronization between the chief of state's interest and the interest that we have put together.

I think the whole human needs idea, Senator, is one where we have said, you can give poor people a lot of things. And in some places we need to do that. But giving poor people goods and resources, services, directly, like our ORT efforts around the world, is one thing. Incidentally, we have a major $5 million in ORT effort, immunization effort, in India. That is a new program this year. That is one thing.

But in a lot of cases, frankly, we should be aiming at poor people but by creation of technology and creation of skills instead of trying to do it directly.

Mr. Norris. Perhaps I could add a brief note to that. In India, what we see is enormous success in the agricultural area in terms of increasing production, so that there is now as much food in India as the Indian population is able to purchase.

The problem is that they are not able to purchase enough if they are poor. There need to be increasing opportunities for productive employment. The Indian Government and our own program is seeking to develop the institutions, the linkages and the activities, the policies, that will result in greater employment creation through private-sector investment, new technologies, new businesses.

This is one aspect of trying to bring together some very strong capabilities in India to result in technology being available to the private sector and more employment creation, so that the poor people will have jobs and can afford the food they need.

INDIA'S POLICY IN MULTILATERAL ORGANIZATIONS

Senator INOUYE. At this juncture, I have been asked by the Ranking Member to ask this question, and I quote.

> The United States recently suffered a devastating defeat in Geneva at a meeting of the Human Rights Commission when we attempted to get a resolution condemning human rights violations in Cuba. The country which engineered this defeat for the United States was India.
>
> That country also is among the worst in terms of U.N. voting, where its coincidence of voting with the United States is only 8.9 percent. There are only 13 other countries in the U.N. which have worse records. In addition, as we all know, India is a military-client state with the Soviet Union, and on the most important foreign policy questions she opposes us.
>
> Notwithstanding that record, AID is proposing to provide India with $137,660,000 in foreign aid, one of the largest country programs we have. In view of India's record, how do you justify this foreign aid program?

Mr. MCPHERSON. India's activities in the international organizations are extraordinarily frustrating, and the committee and others are very right to be unhappy with those votes.

As we look at India, there are a number of factors that we worry about. About half or more of that money that you speak of is P.L. 480 food that is feeding very poor and hungry people.

In addition, what we see in India is the largest democracy in the world, a country that, despite the frustrations that we sometimes often have about their voting records and other things, is relatively stable. It is, in fact, a place where if it were not a democracy, if it were not western in its orientation in so many ways, we would have a very different Asia.

We have a very, very large program with its neighbor, Pakistan, much, much larger than India. We all know of the tension between those two countries.

As we measure all of these things together, it is our feeling that what we are doing in India is a reasonable amount. There is no question, in addition, I might say, that in our judgment what we are doing in India has a very big impact upon the people there. Our work such as this vaccine development will, in fact, have implications far beyond the Indian borders.

Again, I believe Senator Kasten's concerns about the voting records are very legitimate, and they are sources of often great frustration to the administration. And Senator, speaking out on those voting records, in my judgment, is an excellent thing to do.

Senator INOUYE. Are we discussing these concerns with the Government of India?

Mr. MCPHERSON. We have, and we often do, and we will continue to do so, because, in my judgment, I see no reason at all why India should be a problem on Cuban behavior. It is far out of their sphere of interest and influence.

I think its foreign policy, I have found over the years, is often a matter of balancing frustrations. But it strikes me as a very appropriate thing for the Ranking Minority Member of this committee to talk about this concern. We disagree with the conclusions that we might reach in the application, but there is just no reason why India should take the position on Cuban human rights that they did.

Senator INOUYE. I have several other questions I would like to submit on India. Let's go to another country right next door: Pakistan.

PAKISTAN PROGRAM/COAL POWER GENERATION PROJECT

The third largest new project in the 1988 budget is the Lakhra, Pakistan Coal Power Generation Project. For that project, you are asking that we appropriate $25 million in 1988 and a commitment to a total funding level of $120 million over the life of the project.

Yet in the presentation, you state the following, quote: "A determination will be made in 1988 on the technical, economic and financial feasibility of the project?

Now, you want us to appropriate $25 million and commit ourselves to a total of $120 million, and yet we have not made a determination on the technical, economic and financial feasibility of the project. Do you not think we should commit ourselves and appropriate the money after you have made this study?

Mr. MCPHERSON. This is, as you have indicated, a huge project and an extraordinarily complex one, one that we have been working on for about 2½, 3 years. We feel that the project is at the point where technical and economic feasibility is very likely, but we need to tie up some last bows, if you will.

It would seem to me, given the size of this project, to be very appropriate, if you would wish, for us to consult with the congressional committees after we have made those determinations and before we proceed.

COMMITMENT TO $120 MILLION PROJECT

Senator INOUYE. I am certain someone will ask us the question: how are we commiting ourselves to $120 million when you really do not know whether it is feasible or not?

Mr. MCPHERSON. Part of the reason is that we have a number of issues. We have been anxious that the economic policy, namely the price of energy, was right before we went ahead. When we started it was at reasonably high levels to make this economically viable. There are also a number of scientific technical issues, most of which we have resolved.

But we are prepared, I think, to talk to you further as we get better information. We are well under way. With a project this big, you can imagine that it is not one little set of issues. I would hate to wait another year to ask for the money.

Senator INOUYE. I realize that the world of international relations and that of domestic relations differ greatly. But this is an area of frustration for taxpayers. We seem to apply to ourselves a much higher standard than we do when we appropriate moneys for international purposes like this. I do not think any pork-barrel project, if you want to call it that, would have been approved before a feasibility determination would be made.

Mr. NORRIS. If I could comment on that, briefly.

Senator INOUYE. Please.

Mr. NORRIS. We have carried out extensive technical and economic studies of this project. As Mr. McPherson said, these have been going on for the past several years. On the basis of those conclusions, we see the project as technically and economically feasible.

But the final determination really cannot be achieved until we have had, as we are currently seeking to get, proposals from various private-sector participants and investors so that we will know exactly what it will cost when the people involved get ready for operation.

So we have not moved to submitting it to Congress until we had gone through this process of technical and economic analysis. But we will not be obligating the funds until we have achieved final verification of feasibility.

Mr. MCPHERSON. Maybe our wording did not suggest as much work has gone into it as in fact has.

NEED FOR COST/BENEFIT RATIOS

Senator INOUYE. I just hope you appreciate the frustration that we in Congress have to go through. It reminded me of a little project that we began in 1959 in the State of Hawaii. Incidentally, 1959 is the year we became a State.

At that time Hawaii finally became one of the qualifying States to receive money for highway programs. We had been paying gasoline taxes all this time, since day one. But since we are not interstate—there is an ocean between us—we did not receive any interstate funds.

But in 1959 they decided they would give us some. So the highway administrator, together with our engineers, came up with this very essential Federal defense highway system to connect one of the Marine bases with Pearl Harbor. That was 1959.

Last year we finally passed a bill to approve it. All the way up until then, we have had to go to the Supreme Court. We have had to go to the 9th Circuit Court twice. We have had studies on the environment that go up 8 feet high, stacked up, and economic feasibility studies that go up 4 feet high. I could show it to you. We have to get a special closet to put these things in.

Mr. MCPHERSON. Does this mean, Senator, you are comparing favorably AID with the highway administration?

COST-BENEFIT RATIO

Senator INOUYE. No. I am just telling you that this is common practice here, that we have to come up with cost-benefit ratios. Something you do not see in AID projects is a cost-benefit ratio. For us, everything is cost-benefit ratio. If you put in a dollar's worth of taxpayers' money, what would be the return?

Mr. McPherson. We have done a good deal of that.

Senator Inouye. The cost-benefit ratio has to be much better than what we have invested in there. In this case, the cost-benefit ratio was something like 10-to-1. Yet, we are still waiting because somebody just filed a suit against the highways.

Mr. Norris. Senator, I can assure you with regard to this project that we have had, as a matter of fact, over the past 4 or 5 years, not over the past 2 or 3 years, environmental studies, economic studies and technical studies involving all aspects of the project.

It is only when we have submitted it to potential investors and we know what in fact they say can be done that we will move to the final cost-benefit analysis, which we will also have to carry out before we will move to obligation.

Mr. McPherson. We understand your point, Senator, and appreciate your concern.

Senator Inouye. It is always dangerous to pit one country against another, especially in international relations, because we want to be friends with all, or enemies with all: evenhandedness. [Laughter.]

Senator Inouye. But I think this committee is justified in posing this question. It relates to two countries that are very important to us: Pakistan and the Philippines.

NEW STARTS IN THE PHILIPPINES AND PAKISTAN

In the 1988 budget, you propose five new projects in Pakistan at a total project cost of $425 million. That country is beset with economic problems, political problems and military problems. In the Philippines, you also have economic problems. They had an uprising; the economy is in a shambles; the military has problems with the rebels.

In the Philippines, there are two new starts as compared with five in Pakistan that cost $425 million. The total cost of the two Philippine projects would be $25 million, in other words, the difference of 17 times. Is there any reason for this large disparity?

Mr. McPherson. Part of the problem in terms of the new starts in the Philippines is that at the time of the congressional presentation, we had not been able to work out with the Philippines on what to do with the $100 million or so of project activity that we expect to do with money that we have this year.

We have now roughly agreed upon a rural development strategy for the Philippines. A lot of it will be infrastructure and so forth. There will, in fact, be many more new starts than what this congressional presentation was able to give at the time that it was submitted to Congress. And of course, being new projects, those individual projects would be submitted to Congress for the committees to review in the normal way.

In terms of the overall numbers, there is some history behind how we got to the Pakistan number, the history of the first 5-year agreement and the subsequent agreement and the difficulties in Afghanistan and so forth that I found, to my discomfort, on many occasions. Pakistan needs the money that they have, but there is a lot of history behind every one of these numbers, as you know from the past.

Senator INOUYE. Is it because the Filipinos have been slow in coming forth with a shopping list?

Mr. MCPHERSON. No, I do not think they were slow in coming forth with a shopping list. They have been a very aggressive competent group of people.

Senator INOUYE. Do you think the Pakistanis have been a bit more aggressive?

Mr. MCPHERSON. No. I think there is just a history here in the sense that we had a 5-year agreement that called for so much money. We have got an Afghanistan right next to Pakistan. Those issues, those problems, compel a certain ongoing thrust.

I also think that the Philippine economy, going back to what I said earlier, is a very resilient economy. It can do quite nicely, I believe. I firmly believe, particularly with countries that have gotten to the least development stage, that we should not look at them largely in terms of what we can do for them in foreign aid.

CRITICISM OF U.S. AID PROGRAM

Senator INOUYE. This may sound facetious, but is not meant to be facetious, because I think it has something to do with the situation. It might be well if I called upon President Aquino and told her to give a speech describing our aid as peanuts, just like President Zia in his speech described aid to Pakistan as peanuts.

Mr. MCPHERSON. I remember that well, 5 or 6 years ago.

Senator INOUYE. And when he came out with that speech calling our aid program peanuts, we suddenly started scrambling to demonstrate to President Zia that we were not dishing out peanuts. Do you think Mrs. Aquino should now come out and say that the American aid program is peanuts?

Mr. MCPHERSON. I think the program that we have going in the Philippines is many times larger than the program that President Zia was calling peanuts back in 1981 or 1980, whenever it was, that was under consideration at the time.

But I think the frustration that you feel on some of these numbers is clearly a frustration I feel. What we have got is a 150 Account problem. We see this in a lot of ways. I am concerned about a number of earmarks in this account. But most of those earmarks are the same as the amounts we have asked for. But what we have got is almost a crisis in our 150 Account total.

REDUCTIONS IN THE 150 ACCOUNT

Senator INOUYE. I think we will have to work much closer and our consultations have to be very sharp and keen, because I am certain you are aware the Budget Committee is very seriously considering lopping off another billion dollars from the 150 Account.

Mr. McPherson. The implications of that, I think, are very, very serious.

Senator Inouye. I do not know where the cuts are going to come; but if the Congress should adopt that recommendation, we have got a real problem.

Mr. McPherson. We have got a real problem, a tremendous problem. This subcommittee, by the way, I feel, has been especially imaginative in trying to work out these issues in the past. I appreciate that we will want to talk extensively as time goes on.

Senator Inouye. I think we should give credit to these two young fellows sitting to my left and right.

Mr. McPherson. I have seen their handiwork many times.

Senator Inouye. Richard Collins is the SDSACFOPS and James Bond is the MINSDSACFOPS. They are in charge here. [Laughter.]

Mr. McPherson. I have heard them described in many complimentary ways, but never like that, Senator.

Senator Inouye. Seriously, we are most fortunate to have Mr. Bond and Mr. Collins. I think we have the best staff. And I do not say one of the best; we have the best staff in the U.S. Senate.

I have been hearing rumors—usually I do not bring up rumors—that you will be wearing another hat, that you are going to be going off to the money side. Is that true?

Mr. McPherson. As far as I know, I am a good AID person.

Senator Inouye. That means you are going to go to Treasury. [Laughter.]

Mr. McPherson. Senator, my intention is to continue to stay here.

Senator Inouye. I know your answers on fiscal problems have become increasingly sharp and illuminating, so I thought you were going to be moving. You will still come before us.

I thank you very much. It is always a pleasure having you, Mr. McPherson. We also look forward to receiving Mrs. Bloch. Will you convey to her our best wishes?

Mr. McPherson. I certainly will. I thank you, Senator.

SUBMITTED QUESTIONS

Senator Inouye. The subcommittee has additional questions for your response. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE

COAL DEVELOPMENT AND FUELWOOD IN PAKISTAN

SENATOR INOUYE: Mr. McPherson, for millions of the poor in the world, fuel wood is their major energy resource. The Agency is deeply involved in a major energy project in Pakistan which is concerned, not with fuel wood, but with coal development. This project's principal objective is development of Pakistan's large coal reserves.

In light of the strong evidence that coal emissions are seriously damaging forests in Europe, has the Agency considered whether coal development in Pakistan could reduce fuel wood availability in the area of likely emissions within Pakistan?

Are we contributing to the development of a source of friction between Pakistan and its neighbors? What areas will be affected by the emissions outside of Pakistan?

MR. MCPHERSON: Before addressing the specific questions raised about the impacts of coal development on fuelwood production, it would be important to note that the area in Pakistan where coal development is being considered is a natural desert region remote from Pakistan's forests. Fuelwood supplies in the project area are naturally scarce.

As part of a comprehensive energy assistance program in Pakistan, A.I.D. is supporting both coal and fuelwood as important options for meeting Pakistan's rural and urban energy needs. Coal has the potential of not only being used to generate the electricity urgently needed in urban areas, but also the electricity urgently needed by Pakistan's farmers for irrigation (25% of Pakistan's electricity is used for agricultural pumping) and also as a substitute for fuelwood (in the form of smokeless briquettes) in arid areas of Pakistan where fuelwood is naturally scarce.

A.I.D. is providing major support through a $25 million Forestry Planning and Development Project for rural forestry/fuelwood programs (including those in the Sind Province near the coal producing area) to help farmers grow the wood and fodder to meet their needs and to increase their incomes through sales in commercial markets. The strategy taken by A.I.D. in providing assistance to Pakistan in the area of energy is therefore clearly not focussed on only one source of energy.

Pakistan is facing major shortages of electricity generating capacity that are costing the economy dearly. Major new facilities based on imported coal and oil are planned as well as plants based on domestic coal and hydropower. A.I.D. is very aware that the Government of Pakistan will be under increased pressure to develop nuclear power if the option of indigenous coal is not available as one of the key links in the country's energy supply. A.I.D. is working closely with the Government of Pakistan to ensure that Pakistan follows an investment program that reduces inefficiencies and constructs power plants that are both economically viable and environmentally acceptable. As part of the mitigation package, A.I.D. was able to encourage substantial policy improvements in safety of coal mining in Pakistan.

The Environmental and Social Soundness Assessment for the Lakhra Power Generation Complex addresses in detail the potential impacts of emissions on vegetation in Pakistan. Native vegetation in the region includes arid rangelands and remnants of riverine and scrub forest. The forest communities have largely been replaced by agriculture, i.e., cotton, wheat, barley, gram, oil-seed, and some vegetables. From approximately October to May, the winds are primarily from the north, and no important agricultural areas are downwind in the vicinity of the plant. From approximately May to October, the predominant winds will carry the plume to the east-northeast.

The Environmental Assessment for the Lakhra powerplant compared the sulfite emissions of the Lakhra coal-fired plant with the nearby oil-fired Jamshoro powerplant and concluded that sulfite emission from the Jamshoro powerplant will dominate the impacts to the area in the vicinity. The contribution of sulfite emission from Lakhra is expected to be 6-10 percent of the total sulfite emissions. A detailed analysis of plume dispersion and sulfite deposition was also conducted as part of an Environmental Assessment prepared on the Jamshoro power complex, for which A.I.D. funded a feasibility study on a Phase II expansion. Based on the literature and modeled emission dispersion, no adverse effect is expected on cotton, which is the major crop grown in the area during this season. Chronic effects such as reduced yields are possible with some vegetable crops, but quantitative production figures for this minor crop are lacking and it is therefore difficult to predict the extent of losses. It is anticipated to not be significant because of the conservative estimates used in modeling the plume and the minor importance of the crop.

The Environmental and Social Soundness Assessment for the Lakhra powerplant also addresses the potential for transboundary air pollution. Prevailing winds are expected to transport the plume across arid Pakistani desert to the Indian Ocean during the dry winter months and to the northeast toward India during the rest of the year. The power plant site is approximately 200 km from the Pakistani-Indian border. Prevailing winds toward India occur during the months of approximately May through October; the wet monsoon season is approximately July through September.

The sulfite emissions from Lakhra will be 272,000 tons/year at a capacity factor of 70 percent. It is not known to what extent emissions at this level will influence precipitation pH and increased dry deposition in the farfield. Because of the physical and chemical complexity of atmospheric transport over large distances, it is not possible to accurately predict deposition on spatial scales of several hundred kilometers. Long-range transport studies performed in the southeastern United States suggests that sulfite sources as large as Lakhra can contribute up to 10 percent of the observed deposition at receptors approximately 400 km from the source and up to 1 percent at approximately 800 km.

Detailed calculations on transboundary transport have been done as part of the Jamshoro Environmental Assessment. Assuming an average wind speed during the period May through October and a change in wind direction over 45 degrees, the plume would be about 25 km wide at the India border, and 140 km wide at the Indo-China border. Using mass balance calculations, the total sulfite emissions from the powerplant complex, including those phases not funded by A.I.D., result in an upper limit of sulfate deposition in India of 1.6 kg/ha/yr. Damages to ecosystems due to acid deposition are believed to occur for values of sulfate deposition larger than 20 kg/ha/yr. Since Lakhra's contribution to sulfite emissions is comparatively small, Lakhra's contribution to acid rain in the farfield is expected to also be comparatively small. Therefore, the proposed powerplants will contribute to acid deposition but the predicted maximum rates of deposition are not anticipated to be of environmental significance, particularly given the minimal population and semi-arid nature of lands to the northeast. It is therefore reasonable to conclude that A.I.D. is not contributing to the development of a source of friction between Pakistan and its neighbors.

GLOBAL WARMING AND PAKISTANI COAL

SENATOR INOUYE: Mr. McPherson, there is increasing evidence that the global atmosphere is warming at an unacceptably fast rate. This warming is called the "greenhouse effect." It is caused by the carbon dioxide emitted by fossil fuels.

In a recent statement EPA Administrator Thomas warned that the warming of the global atmosphere may cause major changes in the earth's environment, including the flooding of vast areas of the low lands, and the destruction of present agricultural patterns. America's bread basket could become a desert.

In response to this concern, many experts have warned that we may have to cap fossil fuel use in the world.

In that light does it make sense to have one of the largest new projects in the 1988 request be aimed at helping Pakistan become a major producer of coal and build its energy sector on the basis of coal use?

As an aside, may I ask what impact this project may have on U.S. coal production?

MR. MCPHERSON: A.I.D. proposes to help Pakistan solve its debilitating energy crisis by developing a diversified energy-generating capability, including the use of indigenous coal reserves. A.I.D. is helping Pakistan assess its coal resources. Based on current findings, Pakistan does not appear to have the potential to become a major coal producer. A.I.D. does not believe Pakistan should build its energy sector solely on the use of coal, particularly indigenous coal.

The shortage and misuse of electrical power is one of the most serious limitations to the economic and social development of Pakistan. To meet its existing and projected energy needs, and to alleviate existing load shedding and its associated socioeconomic impacts, the Government of Pakistan has projected that it will need approximately 400 to 600 MW of new generating capacity each year until the turn of the century. The Government of Pakistan is considering construction of a coal-fired powerplant near a known coal reserve. Coal production at the site currently is small scale, operated by the private sector, and conducted under hazardous working conditions. Because of its potential participation in the proposed project and its environmental assessment of the project and related mining activities, A.I.D. would require improvements in coal mining safety at the site as one of the mitigation requirements.

There is no clear preferred solution to energy production in Pakistan. Although national energy conservation measures could produce benefits, it would not lower demand sufficiently to eliminate the need for additional generating capacity. A.I.D.

believes it is both reasonable and desirable to assist the country of Pakistan in expanding energy production in the least costly way by pursuing several different methods of energy production, including the use of indigenous as well as imported coal. For example, A.I.D. is providing major support through a $25 million Forestry Planning and Development Project for rural forestry programs to help farmers grow the wood and fodder to meet their needs and to increase their incomes through sales in commercial markets.

The strategy taken by A.I.D. in providing assistance to Pakistan in the area of energy is therefore not focussed on only one source of energy. The United States clearly would not find it in its best interests to have Pakistan develop nuclear-powered generating stations. The development of hydropower capabilities in the north of Pakistan also offers potentially adverse environmental effects. Even in the United States, one of the wealthiest and technologically advanced nations on this planet, solar and wind-powered facilities have not become a major cornerstone of energy production capability. To expect an emerging nation to focus all new energy-generating capacity on emerging technology may be difficult, particularly with the nature of our friendly relations with Pakistan.

It is reasonable to inquire whether the use of indigenous coal in Pakistan will replace coal imported from the United States. The proposed facility is expected to consume from 1.6 to 3.8 million metric tons of coal per year, depending on the final selection of generating capacity. The demonstrated recoverable lignite reserves underlying the study area are estimated to range from 143 to 174 million run-of-mine metric tons. This should have no significant impact on U.S. coal production and will not displace existing imports.

BENEFICIARIES OF PROJECT -- THE "ESTABLISHMENT"

SENATOR INOUYE: Mr. McPherson, you are requesting funding for a new project in India this year entitled, "Agriculture, Technology Development, and Enterprise." In reading the description of this project in the Congressional Presentation Document, it is difficult to understand what its objectives are or how they will be accomplished.

The document does clearly state who will benefit from the project. Let me quote: "Direct beneficiaries will be Indian businesses and technology and development establishments in agriculture."

Is this project consistent with Section 102 of the Foreign Assistance Act which states that the "principal purpose of bilateral development assistance is to help the poor majority of people in developing countries..."?

MR. MCPHERSON: We believe the proposed "Agriculture Technology Development and Enterprise" project is entirely consistent with Section 102 of the Foreign Assistance Act. Of India's population of 750 million, approximately 75% depend for their livelihood on agriculture. With a per capita income of only $260 per year, India's greatest hope for improving the economic status of her poor majority lies in stimulating agricultural production and off-farm employment. By helping to expand the use of modern agricultural technologies and related enterprises (e.g., seed production and food processing), the proposed project should provide models for increasing rural productivity and employment. The benefits, ultimately, will flow to the low-income majority who will supply agricultural produce for, and be employed by, the recipient establishments under this project.

QUESTIONS SUBMITTED BY SENATOR KASTEN

ECONOMIC AID TO EGYPT (CASH TRANSFER)

SENATOR KASTEN: As you know, the Egyptian Economy is in dire straits at the current time, and is badly in need of additional hard currency resources. Do you support the provision of additional cash transfer assistance to Egypt as is allowed under provisions of the current appropriations legislation?

MR. MCPHERSON: We support the provision of additional cash transfer assistance to Egypt only if it is linked to the implementation of a comprehensive structural economic reform program that is acceptable to the international financial community. The provision of cash under these circumstances would help cushion the impact of reform measures during the necessary adjustment period.

WEST BANK/GAZA PROGRAM

SENATOR KASTEN: Mr. McPherson, your justification material shows a program for the West Bank totaling just over a million dollars. In fact, you provide a significantly greater amount than that in the current year, and I'm wondering if you intend to stick with just the one million dollars for the West Bank project.

MR. MCPHERSON: The West Bank/Gaza Development program is included in the Asia and Near East Regional Program's $20 million Economic Support Fund Account, page 364, Volume II, FY 1988 Congressional Presentation. Our request level for the West Bank/Gaza program for FY 1988 from the Asia and Near East Regional ESF Account is $12 million. In addition, $7 million will be obligated through the Jordan-West Bank program. We are also requesting $1.547 million in P.L. 480, Title II commodities.

PEACE CORPS

STATEMENT OF LORET MILLER RUPPE, DIRECTOR, THE PEACE CORPS

ACCOMPANIED BY:
LINDA RAE GREGORY, ASSOCIATE DIRECTOR OF MANAGEMENT
ODILON LONG, OLDEST PEACE CORPS VOLUNTEER

INTRODUCTION OF LORET MILLER RUPPE

Senator INOUYE. We will now receive testimony from the Director of the Peace Corps, Mrs. Loret Miller Ruppe.

It is always a pleasure to have you with us, Madame Director. You know very well that you are in charge of our favorite bureau, agency, project, department. So you are the favorite of all.

Mrs. RUPPE. Thank you, Senator.

Senator INOUYE. It has been a pleasure working with you. We hope we can continue working with you so we can set greater records. You have the record now: 6 years.

Mrs. RUPPE. I might be tied with Sargent Shriver. He served from about 1961 to 1966.

Senator INOUYE. Congratulations.

Mrs. RUPPE. Thank you. It is with the strong support of you, Mr. Chairman, and your fine staff.

Senator INOUYE. We have received your statement, and it will be made part of the record. You may proceed as you wish. We look forward to your testimony.

INTRODUCTION OF ASSOCIATES

Mrs. RUPPE. Thank you, Mr. Chairman. I am honored to appear before this subcommittee. I have with me today, Mr. Chairman, one of Peace Corps' most outstanding volunteers, who just this past weekend was honored in Boston by receiving the National Public Administrators Service Award. He won the National Public Service Award that is put out by the American Society for Public Administration for outstanding administration of public service in 1987. He is Mr. Odie Long, and he is also our oldest volunteer.

Mr. Long, it is an honor for me to introduce you today. Do you want to come up here, Odie?

Senator INOUYE. You will not get paid for that. [Laughter.]

Senator INOUYE. Where did you do your work?

Mr. LONG. I worked in Africa, Gabon, Togo, Sierra Leone, Upper Volta.

Senator INOUYE. What did you do there?

Mr. LONG. Construction program, schools.

Senator INOUYE. Were you a carpenter out there?

Mr. LONG. Carpenter, designer.

And I was in Haiti for 2 years and just got back.

Senator INOUYE. She said you are the oldest volunteer. You do not look that old. How old are you, sir?

Mr. LONG. I'm 85. I was 85 in March.

Senator INOUYE. I am a bit younger than you, but I am getting there. [Laughter.]

AGE OF VOLUNTEER FORCE

Mrs. RUPPE. Eleven percent of our volunteer force is now my age or older, 50 years of age or older. Mr. Long is an outstanding example of the type of American that is attracted to volunteer in The Peace Corps.

Senator INOUYE. He just got what award?

Mrs. RUPPE. For public service. And he is going to help me with all the answers today, right?

Senator INOUYE. People like you make it worth our while.

Mr. LONG. Thank you, sir.

Senator INOUYE. We hope there are many, many more like you, and I am certain there are.

It is not fair that you bring on someone like him. Do you fellows from the African Development Foundation have someone like that too? [Laughter.]

Mr. BOND. They will next year.

Mrs. RUPPE. Mr. Chairman, I think it does point out the fact that we make in many of our statements, and we make it very proudly as an agency after 25 years, and that is that older Americans with years of skills joining is going to allow volunteers to be even more effective in the future.

We see here in this country there is a new revitalization of the volunteer spirit among our youth also. We have university presidents joining in a campus compact. We recently met with 15 top university presidents at Stanford University to discuss ways that we could end what the Southern governors have pointed out as our international illiteracy, the fact that we have not trained Americans to really know how to outreach in the interdependent world of the 1980's.

We see right in this committee room some of the results of Peace Corps service of the 1960's. When the African Development Foundation will testify, you will find that Mr. Robinson and Mr. Wilson both served in the Peace Corps. That is the untold story of Peace Corps that Sargent Shriver and I have often talked about: what Peace Corps has brought back to America.

You see outreaching here in this Nation to the universities, talking about master degree programs sponsored around Peace Corps service, talking about Peace Corps being a bridge to universities in our Nation with universities overseas in the countries in which Peace Corps serves.

It is of great interest to me that when we celebrated, for instance, our 25th anniversary in Hawaii, in Honolulu, the university there, which has an outstanding Tropical Research and Human Resource College, is now working closely with us as to how their professors can backstop technically our agricultural projects throughout the Pacific.

We see overseas the African leaders talking about, yes, small is beautiful. We must outreach to the African farmer and, as Peace Corps likes to say, her husband.

The fact that they are talking about all the things the Peace Corps volunteers have been involved in for 25 years gives us an atmosphere in these nations of support, better support than the volunteers have ever had for their work, again the key being that the Peace Corps volunteers should be able to be more effective in the next 25 years.

I was just in Central America where every leader said: we have got to get out to our rural areas. I maintain we will not have peace in Central America until more of our type of work is done out in the villages of that area.

PACIFIC REGION

We see in the Pacific President Aquino, who came to our 25th anniversary, saying: this is the type of work that needs to be done. I was there in November talking to, for instance, their minister of agriculture, who said: why couldn't we also be a catalyst to inspiring Filipino volunteers to get out side by side with our volunteers, where they would be out in the health areas; could we help educate them; could we help train them to have their own volunteer force?

Malaysia has already asked us for assistance in this regard. In Thailand, there is the whole question of the computer age in Peace Corps. Kaypro Computer gave us 12 computers a year ago. They are now in use in an agricultural research station and a health research station with volunteers writing the first manuals in Thai.

JAPANESE PEACE CORPS ACTIVITIES

We see the added benefits of this. It is interesting to me—I think it would be of great interest to you—that the Japanese certainly see this. They have expanded their Peace Corps, quadrupled it, because they see this benefit of the two-way street: not only getting skilled people from their nation out but coming back to their own nation to help them better outreach in the world today.

So for all those reasons we see the Peace Corps continuing for the next 25 years. However, at this time—and certainly you know it better than anyone—even with the added help that we have gotten both from former Chairman Kasten and yourself, we look at our outreach today and if we stay at the same numbers, we see that we would be at the lowest numbers of volunteers overseas since 1962. The figures show it very well when we look at what our constant and current dollars are.

We are at less in 1987, even with the rise in funding, and we are very proud that it has been raised, both in this administration and Congress, that we should be one of the accounts not touched. But the uncontrollables simply are doing us up.

We see that Americans are willing to serve, that this is one of the most cost-effective things that we do. I ask, after 6 years, being the longest-serving director of the Peace Corps, the committee to really help us allow Peace Corps to be all that it can and should be in the next 25 years.

Thank you, Mr. Chairman.

[The prepared statement of Mrs. Ruppe follows:]

PEACE CORPS

PREPARED STATEMENT OF LORET MILLER RUPPE
DIRECTOR

IT IS MY PLEASURE TO APPEAR BEFORE YOU IN SUPPORT OF THE ADMINISTRATION'S BUDGET REQUEST FOR THE PEACE CORPS. BEFORE I GO INTO THE FISCAL YEAR 1988 PROJECTIONS AND GOALS, I WOULD LIKE TO REVIEW FOR YOU THE EVENTS OF THE LAST YEAR, IN WHICH PEACE CORPS CELEBRATED ITS QUARTER-CENTURY ANNIVERSARY. I WOULD ALSO LIKE TO TAKE THIS TIME TO THANK THE MEMBERS OF THIS SUBCOMMITTEE FOR YOUR REMARKS AND COMMENTS WHICH WERE INSERTED INTO THE RECORD HONORING OUR VOLUNTEERS. I AM PLEASED, TOO, THAT PRESIDENT REAGAN IN HIS PROCLAMATION FOR THE TWENTY-FIFTH ANNIVERSARY YEAR OF THE PEACE CORPS CALLED "ON ALL AMERICANS TO REAFFIRM OUR NATION'S COMMITMENT TO HELPING PEOPLES IN THE DEVELOPING WORLD HELP THEMSELVES".

YOU ARE AWARE OF THE HUGE RESPONSE TO THE RETURNED PEACE CORPS VOLUNTEER CONFERENCE HELD HERE IN WASHINGTON LAST SEPTEMBER. SOME OF YOU SAW THE THOUSANDS OF RETURNED VOLUNTEERS, FAMILIES AND FRIENDS, THE 440 FOOT TENT ERECTED ON THE MALL, AND THE 7,000 WALKING TO ARLINGTON CEMETARY FOR THE MEMORIAL SERVICE FOR OUR OWN WHO GAVE THEIR LIVES WORKING FOR PEACE.

SOME OF YOU ALSO SHARED WITH US THE VERY MOVING CONCLUSION AT THE KENNEDY CENTER WHEN A CHILD LED A SEA OF STANDING, HANDHOLDING ADULTS IN "LET THERE BE PEACE ON EARTH, AND LET IT BEGIN WITH ME!" YOU SAW, TOO, THE WASHINGTON POST EDITORIAL THE NEXT MORNING WHICH BEGAN: "BOTTLE LAST NIGHT, EXPORT IT AND THERE WILL BE NO MORE WAR!"

IF ONLY PEACE COULD BE THAT EASY. I AM SURE YOU WILL AGREE THAT THERE IS NOTHING WE HERE IN THIS ROOM WOULD WANT MORE. BUT, REGRETTABLY IT IS GOING TO

TAKE MORE THAN WISHES, OR PEOPLE JOINED IN THE SPIRIT OF SONG -- TO STOP FIFTY PERCENT OF THE CHILDREN IN DEVELOPING WORLD VILLAGES FROM DYING BEFORE THE AGE OF 5 -- TO STOP WOMEN FROM WALKING MILES FOR WATER AND THEN SEARCHING MILES FOR WOOD -- AND TO STOP MEN FROM FLEEING THEIR VILLAGES WHERE THERE IS NO WORK TO CITIES WHERE THERE IS NO WORK.

THE CHALLENGES OF MEETING THESE NEEDS IN THE DEVELOPING WORLD WILL, IN THE FUTURE, AS IN THE PAST, BE A RESULT OF THE HARD WORK AND DEDICATION OF AMERICANS WHO ARE WILLING TO MAKE THE SACRIFICES, TO PROVIDE THE SERVICES NECESSARY TO HELP THE PEOPLE IN THE THIRD WORLD TO DISCOVER AND DEVELOP THEIR OWN STRENGTHS.

THE WAYS IN WHICH PEACE CORPS CAN BETTER MEET THESE CHALLENGES IN THE FUTURE WAS THE THEME OF SEMINARS AND EVENTS HELD ALL ACROSS OUR NATION LAST YEAR IN MORE THAN THIRTY-FIVE STATES. SIMILAR PROGRAMS WERE ALSO HELD IN NUMEROUS DEVELOPING COUNTRIES AROUND THE GLOBE. IT WAS MY HONOR TO ATTEND MANY OF THESE EVENTS, BOTH HERE IN THE U.S. AND ABROAD.

IN THE UNITED STATES, THERE WAS A GREAT RENEWAL OF DEDICATION ON THE PART OF THE RETURNED VOLUNTEERS TO BECOME MORE INVOLVED IN THE PEACE CORPS' THIRD GOAL ACTIVITIES, AND THOSE RELATING TO OUR PARTNERSHIP PROGRAMS. RETURNED VOLUNTEERS FROM ALL PARTS OF OUR NATION RECONNECTED WITH EACH OTHER AND THE AGENCY.

CEREMONIES HOSTED BY OUR HOST NATION FRIENDS LIKEWISE WERE AN INSPIRATION TO US ALL. THE GRATITUDE EXPRESSED BY THE PEOPLES OF THOSE NATIONS, FROM VILLAGERS TO HEADS OF STATE, FOR OUR AMERICAN VOLUNTEERS, WAS A TRULY MOVING EXPERIENCE FOR ME AND ALL AMERICANS IN ATTENDANCE.

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LAST YEAR PEACE CORPS CELEBRATED A MILESTONE IN ITS HISTORY, 25 YEARS OF GRASS ROOTS DEVELOPMENT WORK AND GOODWILL, PROVIDED BY OVER 120,000 AMERICANS, TO THE PEOPLES OF 92 NATIONS AROUND THE GLOBE.

LAST YEAR ALSO CONGRESS PASSED MILESTONE LEGISLATION PROVIDING FOR LOAN FORGIVENESS FOR FUTURE VOLUNTEERS. AS YOU MAY RECALL, DURING MY TESTIMONY LAST MAY WE DISCUSSED HIGHER EDUCATION COSTS AND THE THOUGHTS OF A NATIONAL SERVICE PROGRAM AND LOAN FORGIVENESS FOR VOLUNTEERS.

WELL, I'M PLEASED TO TELL YOU THAT IN 1986 CONGRESS ALSO PASSED, AND THE PRESIDENT SIGNED INTO LAW, A PROVISION THAT PROVIDED A PERCENTAGE OF LOAN FORGIVENESS FOR FUTURE VOLUNTEERS WITH NATIONAL DIRECT STUDENT LOANS (NDSL). BEGINNING JULY 1987 NEW BORROWERS WHO ASSUME NDSLs AND LATER BECOME PEACE CORPS VOLUNTEERS WILL HAVE 15% OF THEIR LOAN FORGIVEN EACH YEAR FOR THE FIRST TWO YEARS OF VOLUNTEER SERVICE, AND 20% FORGIVEN EACH YEAR SHOULD THEY EXTEND TO 3

OR 4 YEARS. IN ADDITION TO THE LOAN FORGIVENESS PROVISION, THE ACCRUED INTEREST WILL ALSO BE FORGIVEN.

FUTURES TEAM REPORT

A MAJOR QUESTION, "WHERE IS PEACE CORPS GOING IN THE NEXT TWENTY-FIVE YEARS", WAS A RECURRING THEME DURING THE CONFERENCES, SEMINARS AND OTHER EVENTS HONORING THE EFFORTS OF OUR VOLUNTEERS LAST YEAR. PROMINENT PEOPLE IN INDUSTRY, ACADEMIA, THE DEVELOPMENT COMMUNITY AND HEADS OF STATE DIRECTED THEIR THOUGHTS TOWARD THIS ISSUE. A CULMINATION OF THE IDEAS HAS RESULTED IN THE PRINTING OF A PAPER CALLED THE "FUTURES TEAM REPORT". A COPY WILL SOON BE PROVIDED TO YOU.

THE REPORT REEMPHASIZES THE NEED FOR PEACE CORPS TO MAINTAIN ITS THREE GOALS:

--TO PROMOTE WORLD PEACE AND FRIENDSHIP BY MAKING AVAILABLE TO INTERESTED COUNTRIES AMERICANS WILLING TO SERVE OVERSEAS WHO WILL HELP PEOPLE OF THESE COUNTRIES TO MEET THEIR NEEDS FOR TRAINED MANPOWER;

--TO HELP PROMOTE A BETTER UNDERSTANDING OF THE AMERICAN PEOPLE ON THE PART OF PEOPLE SERVED;

--TO PROMOTE A BETTER UNDERSTANDING OF OTHER PEOPLE ON THE PART OF THE AMERICAN PEOPLE.

THESE GOALS ARE THE CORE VALUE TO THE AGENCY, VOLUNTEERS AND STAFF. THE REPORT CALLS FOR INNOVATIVE VOLUNTEER PROGRAMS DIRECTED AT RECRUITING SCARCE SKILLED AMERICANS. WE ARE ABOUT TO IMPLEMENT, ON A PILOT BASIS, A SHORT-TERM 12 MONTH VOLUNTEER TOUR IN AN EFFORT TO DRAW OUT THOSE SCARCE SKILLED INDIVIDUALS SO DESPERATELY NEEDED BY THE DEVELOPING WORLD.

WE ARE ALSO SEEKING TO COMBINE PEACE CORPS SERVICE WITH THE PURSUIT OF AN ACADEMIC DEGREE WITH A NUMBER OF UNIVERSITIES, INCLUDING MICHIGAN STATE, RUTGERS AND CORNELL. AT MICHIGAN STATE UNIVERSITY FOR INSTANCE, THE PEACE CORPS HOPES TO ESTABLISH A JOINT MASTERS PROGRAM IN AGRICULTURE SPECIFICALLY AIMED AT MINORITY STUDENTS WHO WOULD WORK IN OUR AFRICA FOOD SYSTEMS INITIATIVE.

WE ARE ALSO REACHING OUT TO FEDERAL AGENCIES, SUCH AS THE DEPARTMENT OF AGRICULTURE, URGING THAT EMPLOYEES CONSIDER SABBATICALS TO SERVE AS PEACE CORPS

VOLUNTEERS OR ASSOCIATE PEACE CORPS DIRECTORS WORKING WITH OR TRAINING OTHERS IN AGRICULTURE OR SPECIALITY PROGRAMS.

THE "FUTURES TEAM REPORT " ALSO REEMPHASIZED THE CONTINUED VALUE OF THE EXPERIENCED VOLUNTEER AND STRONGLY RECOMMENDED THAT SUCCESSFUL VOLUNTEERS WHO WISH TO EXTEND SHOULD ROUTINELY BE PERMITTED TO CONTINUE THEIR SERVICE. THESE RECOMMENDATIONS WOULD ESTABLISH VARIABLE LENGTHS OF PEACE CORPS SERVICE, FROM ONE TO THREE OR MORE YEARS.

THE REPORT ADDRESSES IMPROVED PROGRAMMING NEEDS, BOTH IN THE FIELD AND FOR OVERSEAS STAFF. IT STRESSES ADDITIONAL SUPPORT OF THE NEGLECTED THIRD GOAL OF THE PEACE CORPS, THAT OF, "PROMOTING A BETTER UNDERSTANDING OF OTHER PEOPLES ON THE PART OF AMERICAN PEOPLE." AND, IT REITERATES THE IMPORTANCE FOR PEACE CORPS TO GROW RESPONSIBLY TOWARD THE 10,000 VOLUNTEERS GOAL, AS DIRECTED BY CONGRESS, WITHOUT SACRIFICING QUALITY IN PROGRAMS OR VOLUNTEERS.

IT WAS ALSO DETERMINED THAT PEACE CORPS TODAY IS FLEXIBLE AND READY TO TRY NEW PROGRAMS, FORMULAS, AND IDEAS SO THAT OUR VOLUNTEERS BETTER ADDRESS THE NEEDS OF THOSE THEY SERVE AND TRAIN. AN EXAMPLE OF HOW OUR VOLUNTEERS ACCOMPLISH THESE OBJECTIVES CAN BE ILLUSTRATED BY THE FOLLOWING:

MICHAEL PREDMORE WAS ASSIGNED TO WORK WITH THE PEOPLE OF KASIBU DISTRICT OF THE PHILIPPINES. FOLLOWING EXTENSIVE LANGUAGE AND TECHNICAL TRAINING, HE ARRIVED IN THE VILLAGE. THE PEOPLE OF KASIBU ASKED MIKE TO DEVELOP A SPRING-FED WATER SYSTEM THAT WOULD PROVIDE CLEAN WATER TO THE VILLAGES. MIKE CHOOSE THREE COMMUNITIES THAT WERE IN NEED OF A SYSTEM AND IN WHICH THE PROJECT COULD FEASIBLY SUCCEED. MIKE, AND LATER A SECOND VOLUNTEER, HELPED THE VILLAGERS TO SECURE FUNDING THROUGH THE PEACE CORPS SMALL PROJECT FUND, THE CANADIAN AND NETHERLANDS EMBASSIES AND THE LUTHERAN FOUNDATION, WHILE PROVIDING GUIDANCE AND TECHNICAL KNOW-HOW. THE PROJECT WAS CONSTRUCTED SOLEY FROM COMMUNAL INITIATIVE AND COOPERATION AMONG THE VILLAGERS. THE COMMUNITY LEADERS THEMSELVES FORMED 'WATER ORGANIZATIONS' WITH OFFICERS AND WORK CREWS REPRESENTING ALL MEMBER HOUSEHOLDS. TOGETHER, THEY OVERCAME WEATHER COMPLICATIONS, POLITICAL SITUATIONS AND COMMUNITY DIFFERENCES.

THE PEACE CORPS VOLUNTEER RETURNED A YEAR LATER TO FIND THE PROJECTS WORKING

WELL. THE AREA NOW HAS MANY COMMUNAL FAUCETS PROVIDING CLEAN WATER, A 4,000 GALLON STORAGE TANK, AND SEVERAL WATER-SEAL TOILETS. THE COMMUNITY OF POBLACION, WHICH HAD ENCOUNTERED PROBLEMS WITHIN THE COMMUNITY COOPERATION, SUCCEEDED BY REESTABLISHING ITS LEADERSHIP ROLE AND CHOOSING A NEW SET OF WATER ASSOCIATION OFFICERS. THEY MODERNIZED A FAILED EXISTING WATER SYSTEM AND NOW EACH HOUSEHOLD PAYS A MONTHLY FEE.

AFRICA FOOD SYSTEMS INITIATIVE

THIS EXAMPLE OF VOLUNTEER INITIATIVE AND FLEXIBILITY IS ILLUSTRATED NOW IN ONE OF THE PEACE CORPS' NEWER INNOVATIVE IDEAS, INITIATED PRIOR TO THE 25TH ANNIVERSARY RECOMMENDATIONS, WAS THE AFRICA FOOD SYSTEMS INITIATIVE (AFSI). AS I RELATED TO YOU IN THE PAST, THE INITIATIVE SEEKS TO REVERSE DECLINING PER CAPITA FOOD PRODUCTION IN UP TO 12 AFRICAN NATIONS BY ADDRESSING THE ENTIRE FOOD SYSTEM -- FROM START TO FINISH.

TODAY I AM PLEASED TO TELL YOU THAT THE FIRST AFRICA FOOD VOLUNTEER TEAMS, 211 VOLUNTEERS, LEFT THIS PAST FALL FOR PILOT PROGRAMS IN NIGER, LESOTHO AND MALI. FIVE TO TEN MEMBER TEAMS OF VOLUNTEERS, EACH WITH COMPLIMENTARY SKILLS, ARE WORKING WITH SMALL-SCALE FARMERS, MANY OF WHOM ARE WOMEN, IN SPECIFIC AREAS TOWARD TARGETED OBJECTIVES. AS THE NEEDS OF AN AREA CHANGE, NEW VOLUNTEER TEAMS WITH DIFFERENT SKILLS WILL BE DISPATCHED, NEW GOALS SET AND NEW WORK BEGUN.

THIS LONG TERM COMMITMENT WILL BE EXPANDED INTO FOUR ADDITIONAL AFRICAN COUNTRIES IN FISCAL YEAR 1988. ASSESSMENT TEAMS ARE CURRENTLY WORKING IN SENEGAL, SIERRA LEONE, GUINEA CONAKRY, AND CENTRAL AFRICAN REPUBLIC (CAR) TO DEVELOP THE PROGRAMS FOR THESE COUNTRIES.

WHILE THE AFRICA FOOD INITIATIVE IS A HIGH PRIORITY OF MINE AND THE AGENCY'S, OTHER ONGOING PROJECTS IN FOOD PRODUCTION CONTINUE TO PROVIDE ASSISTANCE AND TRAINING TO RURAL FARMERS. FROM MICRONESIA TO MOROCCO, PAPAU NEW GUINEA TO PARAGUAY, THE VOLUNTEERS ARE SHOWING RURAL FARMERS THAT SOIL CAN BE IMPROVED, MORE LAND CAN BE BROUGHT UNDER CULTIVATION, PESTS CAN BE CONTROLLED, YIELDS CAN BE INCREASED, AND POST-HARVEST LOSSES CAN BE ELIMINATED.

PEACE CORPS VOLUNTEERS ARE TEACHING AGRONOMY, ORGANIZING FARMER CO-OPS, TRAINING

FARMERS TO VACCINATE LIVESTOCK, DIG FISH PONDS, ESTABLISH KITCHEN GARDENS, PLANT TREES AND PROVIDE IMPROVED NUTRITION.

THE PROGRESS IN OUR AGRICULTURE PROGRAMS COMES IN MANY FORMS: IN MALI, A VETERINARIAN VOLUNTEER FROM NORTHERN WISCONSIN CHANGED THE MIXTURE FORMULA OF LOCALLY AVAILABLE FEEDS AND INCREASED THE MILK YIELDS BY 500 PER CENT.

IN TOGO, A RETIRED MISSISSIPPI FARMER TRAINED VILLAGERS TO USE OX-DRAWN PLOWS, THUS ENABLING THE VILLAGES TO IMMEDIATELY EXPAND THEIR PLOTS BY 400 PERCENT.

IN KENYA, A NATURAL RESOURCES GRADUATE OF THE UNIVERSITY OF CONNECTICUT CONVINCED THE KISII PEOPLE, A NON-FISH EATING POPULACE, TO TRY FISH FARMING, THUS PRODUCING A NEW SOURCE OF PROTEIN AND PROFIT FOR AN ENTIRE PEOPLE.

WE CAN EVALUATE THE VOLUNTEERS' EFFORTS IN TERMS OF SO MANY VACCINATIONS, FISH PONDS AND GARDEN PROJECTS, BUT THE VOLUNTEERS' CONTRIBUTION LIES ALSO IN THE REALM OF THE INTANGIBLE -- THE BANISHMENT OF DESPAIR, THE GIVING OF MOTIVATION AND HOPE.

THE PHILIPPINES

PEACE CORPS AGRICULTURE AND HEALTH PROGRAM EFFORTS ARE NOT ONLY DIRECTED TOWARD THE CHALLENGES IN AFRICA, WE ARE ALSO PLACING A HIGH PRIORITY ON ONE OF OUR OLDEST PROGRAMS, THAT OF THE PHILIPPINES.

IN THE PHILIPPINES VOLUNTEERS CONTINUE TO ASSIST SMALL-SCALE FARMERS TO INCREASE THEIR CROP PRODUCTION THROUGH DIVERSIFICATION AND INTER-CROPPING METHODS. INCREASED PRODUCTION OF FISH PONDS AND EXPANDED COMMUNITY DEVELOPMENT PROJECTS HAVE ALSO IMPROVED THE WAY OF LIFE FOR COUNTLESS RURAL RESIDENTS. ALTHOUGH PEACE CORPS HAS SHIFTED ITS PROGRAM EMPHASIS IN THE PHILIPPINES FROM EDUCATION TO THOSE PROJECTS LISTED ABOVE, DEAF EDUCATION CONTINUES TO BE A VERY IMPORTANT PROGRAM. SINCE 1974, VOLUNTEERS HAVE BEEN TEACHING DEAF CHILDREN IN SCHOOLS, TRAINING TEACHERS AND ORGANIZING COMMUNITY PROJECTS WITH THE DEAF.

PRIOR TO THE PROGRAM EMPHASIS CHANGE FROM EDUCATION TO COMMUNITY DEVELOPMENT PROJECTS, VOLUNTEERS RECOGNIZED THE NEEDS OF THE PEOPLE AND ASSISTED THEM IN PLANTING TREES, ASSISTED IN LOCAL BUSINESS DEVELOPMENT, AND HELPED LOCAL FARMERS TO ORGANIZE AND BUILD A CO-OP COFFEE AND RUBBER MILL. THIS MILL REMAINS IN

OPERATION TODAY AND ALLOWS THE LOCAL GROWERS TO AVOID MIDDLEMEN THUS RECEIVING A BETTER PRICE FOR THEIR COMMODITIES.

A SIMILAR PROGRAM BEGUN BY FIVE VOLUNTEERS IN SORSOGAN PROVINCE ENCOURAGED FARMERS TO PLANT MORE COCOA, COFFEE AND BLACK PEPPER. THE PROGRAM EXPANDED TO A POINT WHERE IT INCLUDED OVER 700 FARMER CO-OPS IN FIFTEEN MUNICIPALITIES. RESIDENTS OF SAPIAN, CAPIZ REMEMBER THE AMERICAN MARINE BIOLOGIST VOLUNTEER WHO HELPED THEM ESTABLISH A THRIVING BUSINESS PRODUCING GREEN MUSSELS. WITHIN FIVE YEARS FISHERMEN WERE SELLING MUSSELS AS FAR AWAY AS MANILA AND HAD MADE 18 MILLION PESOS.

VOLUNTEERS WORKING IN THE UPLANDS TRIBAL AREAS HAVE BEEN RESPONSIBLE FOR BRINGING PHILIPPINE GOVERNMENT AGENCY ATTENTION TO THE NEEDS OF A PARTICULAR MINORITY COMMUNITY WHERE THEY LIVE. AS A RESULT, SEVERAL TRIBES WERE ABLE TO OBTAIN LAND RIGHTS, SCHOOLS AND HEALTH CARE THEY HAD NOT HOPED FOR PREVIOUSLY.

RECENTLY, ONE OF OUR OLDER AMERICAN VOLUNTEERS, JOSEPH SAGE, A DESCENDANT OF THE BLACKFOOT INDIAN TRIBE IN IDAHO, HELPED THE TOWN OF LA TRINIDAD PLAN AND IMPLEMENT A TRADING POST, THE LARGEST INFRASTRUCTURE PROJECT IN PEACE CORPS PHILIPPINES HISTORY.

THE TRADING POST, AS IT IS CALLED, IS A HUGE MARKET WHERE LOCAL VEGETABLE FARMERS CAN, FOR THE FIRST TIME, DEAL DIRECTLY WITH PRODUCERS INSTEAD OF MIDDLEMEN. PACKING STALLS, LOADING DOCKS, WEIGHING AND GRADING MACHINES, AND A REFRIGERATED STORAGE AREA, AS WELL AS A WATER TOWER AND A BACK-UP GENERATOR, MAKE THIS THE COUNTRY'S MOST MODERN VEGETABLE MARKETING FACILITY.

VOLUNTEERS ARE CURRENTLY WORKING AT IMPROVING WATER SUPPLIES IN MANY PARTS OF THE COUNTRY. SPECIAL "WATER TECHNICIAN" VOLUNTEERS, LIKE MICHAEL PREDMORE MENTIONED EARLIER, ARE NOW FIELDED REGIONALLY TO SUPPORT THE WORK OF "NON-SPECIALIST" VOLUNTEERS WHO ARE INVOLVED IN DEVELOPING SPRINGS AND WELLS.

IN FISCAL YEAR 1988 PEACE CORPS WILL CONTINUE ITS EMPHASIS ON AGRICULTURE DEVELOPMENT, FRESH WATER FISHERIES, AND AGRO-FORESTRY. AS A RESULT OF MY VISIT WITH PRESIDENT AQUINO IN MANILA THIS PAST NOVEMBER, PEACE CORPS IS IN THE PROCESS OF STRENGTHENING OUR PROGRAM THERE. THIS NEXT YEAR WE PLAN TO FIELD OVER 300 VOLUNTEERS IN THE PHILIPPINES.

INTER-AMERICA

AS PEACE CORPS MOVES FORWARD TO BETTER MEET THE NEEDS OF THE FILIPINO PEOPLES, WE ALSO CONTINUE OUR COMMITMENT TOWARD THE INTER-AMERICAN COUNTRIES TO HELP THEM DEVELOP THE KNOW-HOW AND RELEVANT SKILLS NEEDED TO PRODUCE FOOD, GOODS AND SERVICES ESSENTIAL TO GENERATE THE INCOME NEEDED FOR ECONOMIC SELF-SUFFICIENCY AND IMPROVEMENTS IN THE QUALITY OF LIFE.

IN AN EFFORT TO ACHIEVE OUR PROGRAM GOALS SET FORTH IN BOTH THE CARIBBEAN BASIN INITIATIVE AND THE JACKSON PLAN (KISSINGER COMMISSION REPORT) PEACE CORPS HAS INCREASED ITS COLLABORATION WITH OTHER GOVERNMENT AGENCIES, INTERNATIONAL AGENCIES, AND PRIVATE VOLUNTARY ORGANIZATIONS (PVOS).

A MAJOR PRIORITY IN OUR INTER-AMERICAN PROGRAMS IS THE DEVELOPMENT OF AGRICULTURAL AND OTHER BUSINESSES TO GENERATE INCOME, PROVIDE FOOD, AND CREATE EMPLOYMENT. ONE GOOD EXAMPLE OF THE VOLUNTEERS' EFFORTS IN THIS REGARD COMES FROM COSTA RICA WHERE LAST YEAR ONE VOLUNTEER ASSISTED IN THE COMPLETION OF 27 KILOMETERS OF WATER PIPE BRINGING POTABLE WATER TO FOUR COMMUNITIES; HELPED TO CONSTRUCT AN INCOME-PRODUCING TREE NURSERY WHICH IS NOW RUN BY COMMUNITY MEMBERS; ASSISTED ANOTHER COMMUNITY ORGANIZATION TO OBTAIN FUNDS FOR A SELF-HELP RURAL HOUSING PROJECT, NOW UNDERWAY; AND ORGANIZED AND TRAINED A GROUP OF WOMEN WHO TEACH REFUGEES HOW TO DESIGN AND MAKE CLOTHING FOR USE IN THE REFUGEE CAMP AND FOR SALE IN THE LOCAL MARKET. THIS IS NOW THE LARGEST SHOP IN ANY REFUGEE CAMP IN COSTA RICA AND PROVIDES EMPLOYMENT FOR THE REFUGEES.

HEALTH, NUTRITION AND SANITATION SERVICES IN THE INTER-AMERICAN REGIONS HAVE BEEN IMPROVED OVER THE PAST TWO DECADES: WITH THE ASSISTANCE OF USAID, PAN AMERICAN HEALTH ORGANIZATION AND OTHER DEVELOPMENT ASSISTANCE AGENCIES. HOWEVER, WHILE TECHNICAL ASSISTANCE AND FUNDS ARE BEING PROVIDED AT THE INSTITUTIONAL LEVEL, THERE IS A SEVERE SHORTAGE OF TRAINED TECHNICIANS WHO LIVE AND WORK IN THE REMOTE AND RURAL AREAS. PEACE CORPS VOLUNTEERS ARE TRYING TO FILL THIS GAP.

LAST YEAR IN HONDURAS VOLUNTEERS TRAINED OVER 1,300 RURAL RESIDENTS IN IMPROVED NUTRITION METHODS.

IN HAITI THIRTY-FIVE VOLUNTEERS WORKING WITH THE CHILD SURVIVAL PROGRAM, WORKED

WITH EIGHTY RURAL CLINICS IN NUTRITION AND HEALTH EDUCATION, ORAL REHYDRATION AND PUBLIC HEALTH NURSING, TO PROVIDE ASSISTANCE TO MORE THAN 8,000 HAITIANS.

IN ECUADOR, VOLUNTEERS TRAINED RURAL RESIDENTS IN BUILDING SEVEN POTABLE WATER SYSTEMS AND 220 LATRINES. IN THE RURAL AREAS OF DEVELOPING COUNTRIES SANITATION IS A MAJOR PROBLEM. THE LOCAL WATER SOURCES, RIVERS AND STREAMS, ARE POLLUTED WITH HUMAN WASTE. THE CONSTRUCTION OF LATRINES HELPS TO CLEAN-UP THE WATER SOURCES AND REDUCE THE PARASITES AND DISEASE THAT AFFECT THE PEOPLES HEALTH.

SPECIAL EDUCATION CONTINUES TO HAVE A HIGH PRIORITY WITH GOVERNMENTS IN THE INTER-AMERICAN REGION. THEY HAVE INCREASED THEIR REQUESTS FOR SPECIALIZED VOLUNTEERS TO HELP TRAIN HOST COUNTRY NATIONALS IN TREATING, EDUCATING AND PROVIDING ASSISTANCE TO THOSE WHO ARE MENTALLY OR PHYSICALLY HANDICAPPED.

IN FISCAL YEAR 1988, WITH THE ASSISTANCE OF COLLABORATIVE EFFORTS, PEACE CORPS HOPES TO EXPAND CBI PROJECTS THROUGHOUT THE CARIBBEAN AND CENTRAL AMERICA. WE ALSO PLAN, WITH THE HELP OF COLLABORATIVE AGREEMENTS, TO CONTINUE THE WORK CURRENTLY BEING DONE BY OVER 300 VOLUNTEERS WHO ARE WORKING IN HEALTH, NUTRITION AND SANITATION. WE ALSO WILL TRY TO MEET THE REQUESTS FROM HOST COUNTRY GOVERNMENTS FOR SPECIAL EDUCATION VOLUNTEERS.

WOMEN IN DEVELOPMENT

IN ADDITION TO OUR EMPHASIS ON AFRICA, CENTRAL AMERICA, AND PHILIPPINES PROGRAMS, PEACE CORPS IS COMMITTED TO THE EXPANSION OF OUR WOMEN IN DEVELOPMENT (WID) EFFORTS.

THERE IS AN AFRICAN PROVERB THAT SAYS, "EDUCATE A WOMAN AND YOU EDUCATE A FAMILY". THE PEACE CORPS IS DEDICATED TO THIS BELIEF. OUR PROGRAMS MUST ADDRESS THE NEEDS OF THE DEVELOPING WORLD AND BE ADMINISTERD TO GIVE PARTICULAR ATTENTION TO THE ACTIVITIES THAT WILL INTEGRATE WOMEN INTO THE NATIONAL ECONOMIES OF DEVELOPING COUNTRIES.

IT IS A FACT THAT WOMEN IN THE DEVELOPING WORLD PLAY AN INTEGRAL PART IN THE LIVES OF THEIR COMMUNITIES. IT IS A FACT THEY GROW 50 TO 80 PERCENT OF THEIR COUNTRIES' FOOD, WHILE SUPERVISING THEIR FAMILIES' EDUCATION, HEALTH CARE AND NURTITION. THEREFORE, UNDERSTANDING THE ROLES AND NEEDS OF THESE WOMEN IS CONSIDERED AN ESSENTIAL PART OF ALL PEACE CORPS PROGRAMMING.

LOCAL WOMEN ARE ENCOURAGED TO PARTICIPATE IN ALL PHASES OF DEVELOPMENT PROJECTS, FROM NEEDS ASSESSMENTS AND PRIORITY SETTING TO PLANNING AND IMPLEMENTATION. IN PEACE CORPS' WID PROGRAMS SPECIAL ATTENTION IS GIVEN TO THE PROBLEMS OF THE RURAL WOMAN. PROGRESS IS SLOW, AND SUCCESSES ARE SOMETIMES HARD TO MEASURE, BUT LITTLE BY LITTLE OUR PROGRAMS ARE MAKING A DIFFERENCE. EXAMPLES SUCH AS THE FOLLOWING CONTINUE TO MAKE US VERY OPTIMISTIC ABOUT THE PROGRAM.

--IN TOGO VOLUNTEERS HAVE TRAINED RURAL WOMEN TO DESIGN AND BUILD FUEL-EFFICIENT STOVES. IT SHOULD BE NOTED THAT THE TRADITIONAL TOGOLESE STOVE CONSITS OF THREE ROCKS PLACED ON THE GROUND FORMING A HOLLOW AREAS FOR WOOD AND PROVIDING A FOUNDATION FOR THE COOKING POT TO SIT ON. THIS TRADITIONAL COOKING METHOD USED OVER THE CENTURIES, IS FUEL WASTEFUL AND HAS DEPLETED THE SCARE FUEL WOOD FORESTS AND NATURAL RESOURCES. IT IS A SAFETY HAZARD AS WELL, BURNING COUNTLESS CHILDREN EACH DAY.

PEACE CORPS DEVELOPED AN ALTERNATIVE STOVE FOR THE TOGOLESE WHICH IS FUEL EFFICIENT AND, MORE IMPORTANTLY, SAFE. USING THE TRADITIONAL THREE ROCKS AS A BASE, SO AS TO BE ACCEPTABLE TO THE TOGOLESE WOMEN, THE VOLUNTEERS TRAINED THE WOMEN TO FORM, WITH LOCAL CLAYS AND WATER, AN IGLOO SHAPED FORM AROUND THE ROCKS TO FIT THEIR COOKING POT. IT ALSO HAS A NARROW ENTRY IN THE FRONT FOR WOOD, AND A SMALL OPENING AT THE UPPER BACK TO ACT AS A VENT. THIS TRAINING HAS AFFECTED 500 FAMILIES, THUS EASING THE DAILY WORKLOAD OF WOMEN AND IMPROVING THE SAFETY OF THE FAMILY. THESE WOMEN WERE ALSO TRAINED TO BUILD STOVES FOR OTHER WOMEN AS AN INCOME GENERATING ACTIVITY. THIS IMPROVED STOVE HAS WIDESPREAD RECOGNITION AND USE THROUGHOUT TOGO. VARIATIONS OF THE BASIC COOKING METHOD ARE BEING REPLICATED BY VOLUNTEERS THROUGHOUT THE DEVELOPING WORLD.

--VOLUNTEERS HAVE ALSO TAUGHT BUSINESS MANAGEMENT SKILLS TO RURAL WOMEN AND ASSISTED WOMEN IN THE ORGANIZATION OF COTTAGE INDUSTRIES IN 25 COUNTRIES.

THROUGH COLLABORATIVE AGREEMENTS, AND IMPROVED AGENCY PLANNING, WE ARE ABLE TO PLACE A GREAT DEAL OF EMPHASIS ON THE ROLE OF WOMEN IN DEVELOPMENT, ESPECIALLY IN THE AREAS OF HEALTH IMPROVEMENT, NUTRITION, EDUCATION, FOOD PRODUCTION, WATER RESOURCE IMPROVEMENT AND SMALL BUSINESS DEVELOPMENT.

COLLABORATIVE EFFORTS

AS I SAID EARLIER, COLLABORATION WITH OTHER AGENCIES, INTERNATIONAL ORGANIZATIONS AND PVOS IS CRUCIAL TO THE CONTINUANCE OF PEACE CORPS' PROGRAMS. THE EFFECT OF BUDGETARY RESTRAINTS, COUPLED WITH INCREASED ADMINISTRATIVE AND OVERSEAS COSTS HAVE MADE IT IMPERATIVE THAT PEACE CORPS INCREASE ITS COLLABORATIVE EFFORTS. COOPERATION BETWEEN THE PEACE CORPS AND USAID HAS INCREASED, AS HAVE OUR EFFORTS WITH SUCH AGENCIES AS THE WORLD BANK; THE U.N. INTERNATIONAL CHILDREN'S EDUCATIONAL FUND; WORLD HEALTH ORGANIZATIONS; AND THE DEPARTMENTS OF AGRICULTURE, COMMERCE, AND STATE. WE HAVE ALSO INCREASED OUR COLLABORATION WITH THE CATHOLIC RELIEF SERVICES, PROJECT HOPE, PARTNERS FOR PRODUCTIVITY, AND OTHER BILATERAL DONORS, INCLUDING THE GOVERNMENTS OF CANADA; GERMANY; THE UNITED KINGDOM; SWEDEN AND SWITZERLAND. ONLY WHEN PEACE CORPS' PROGRAMS COMPLIMENT THE EFFORTS OF OTHER DEVELOPMENT ORGANIZATIONS, CAN ITS VOLUNTEERS' POTENTIAL AND ITS DEVELOPMENT EFFORTS BE MAXIMIZED.

CONCLUSION

PEACE CORPS RECOGNIZES THE CURRENT AND POTENTIAL IMPACT OF THE VOLUNTEERS. THIS TESTIMONY AND THE PRINTED CONGRESSIONAL BUDGET PRESENTATION FOR FY '88 SENT TO CONGRESS EARLIER THIS MONTH, CLEARLY ILLUSTRATES THE TREMENDOUS ACCOMPLISHMENTS OF THE OVER 5,500 VOLUNTEERS NOW SERVING IN 62 NATIONS AROUND THE GLOBE.

THE CONGRESSIONAL BUDGET PRESENTATION ALSO DETAILS THE AGENCY'S ACTIVITIES AND GOALS FOR THE UPCOMING YEAR. IT COVERS OUR RECRUITING EFFORTS; IMPROVED TRAINING AND SUPPORT OF THE VOLUNTEERS IN THE FIELD; REGIONAL OPERATIONS AND OUR PRIVATE SECTOR RELATIONS AND PARTNERSHIP ACTIVITIES. IT ALSO DETAILS THE ESCALATING ADMINISTRATIVE COSTS, MANY OF WHICH ARE BEYOND THE AGENCY'S CONTROL, WHICH ARE AFFECTING THE ABILITY OF THE PEACE CORPS TO MAINTAIN ITS CURRENT LEVEL OF PROGRAMS AND VOLUNTEERS.

THE ADMINISTRATION'S REQUEST TO CONGRESS FOR A FUNDING LEVEL OF $130,682,000 FOR FISCAL YEAR 1988 WILL SUPPORT APPROXIMATELY 2,900 NEW TRAINEES AND MAINTAIN A LEVEL OF ABOUT 5,000 VOLUNTEERS IN 62-63 DEVELOPING NATIONS. ALTHOUGH SEVERAL

COUNTRIES HAVE EXPRESSED AN INTEREST IN HAVING PEACE CORPS PROGRAMS, WE HAVE SET ASIDE MONIES FOR POSSIBLY TWO NEW COUNTRY ENTRIES.

IN MY SIXTH YEAR AS PEACE CORPS DIRECTOR, I HAVE SEEN A GREAT NEED AROUND THE WORLD. I HAVE SEEN OUR VOLUNTEERS MAKING A DIFFERENCE, AND I CONTINUE TO BE ENTHUSIASTIC ABOUT OUR ONGOING PROGRAMS.

I REMAIN GREATLY TOUCHED BY THE TREMENDOUS COMMITMENT OF THOUSANDS OF AMERICANS, OF ALL AGES, WHO COME FORWARD IN RECORD NUMBERS TO GIVE SO MUCH SO THAT THOSE IN THE DEVELOPING WORLD CAN HAVE A BETTER LIFE--BUT MORE IMPORTANTLY, SO THAT ALL THE PEOPLES OF THIS WORLD CAN HAVE A BETTER CHANCE FOR TRUE PEACE THROUGH INCREASED UNDERSTANDING OF OUR FELLOW MAN.

THANK YOU.

INCREASES IN UNCONTROLLABLE ITEMS

Senator INOUYE. Thank you very much, Madame Director. In your presentation, your official presentation, you refer to increases in items, such as State Department, administrative support, rents and severance pay, as uncontrollable. Are they really uncontrollable?

Mrs. RUPPE. They really are, because when we presented what we thought we were going to owe at that time, we had no idea that the payments to State Department would be increased at such a rate. We really did not know that GSA would change its charges. We did not really project that Federal employment compensation would have the rise that it has had. And then there are the pay raises and Federal retirement increases.

Our projections originally with OMB were done 2 and 3 years ago before these things occurred. So we do consider them uncontrollables.

Another major uncontrollable is the impact of the devaluation of the U.S. dollar against foreign currencies. We are estimating that in Africa alone and our francophone countries, $600,000 to $1 million this year. The damage it does is we have to hold that money more or less in escrow and wait to see what is happening. So we cannot use it for programming. We just have to hold it there and have it wait.

So we really do consider them uncontrollables.

Senator INOUYE. I ask this question because about 12 years ago when we were considering the Hart Building, we made a study of office space required by government employees and nongovernment employees. We were told at that time that the standard we should follow is 250 square feet per person. In the U.S. Senate it was 67 square feet per person at that time. The Hart Building was therefore justified, because it would increase the space from 67 square feet per person to 135 square feet per person.

When we were making that study, we had all the other agencies placed under that same study, and we found that the agency with the most space was the Peace Corps. It was something like 500 square feet per person.

Mrs. RUPPE. I missed that.

Senator INOUYE. It was before your time.

The space was luxurious. In fact, it was much more luxurious than the judiciary, the Federal courts. The Federal courts have a lot of space. If you go into a judge's chambers, it is maybe three times the size of a Senator's office.

You have no way of cutting down these things?

Mrs. RUPPE. In our building today?

Senator INOUYE. I know you have cut down the space, but when we made that suggestion, suddenly the space and rental was almost slashed in half. It is still luxurious. I think from 500 it came down to 250 square feet.

Mrs. RUPPE. May I ask our Associate Director of Management to give us a brief overview of our building configuration right now? This is Ms. Linda Gregory.

Ms. GREGORY. Our building right now is an unusual shape, which has created some real problems for us in terms of utilization of space. We do not have space in that configuration that allows easy establishment of squares or rectangular shapes for our offices.

Right now, we are running approximately 157 square feet per person. That is largely due to the odd shape of the building. We are planning on going, when we move, to an average of 135 square feet per person, which is the GSA standard.

Mrs. RUPPE. But Mr. Chairman, if you had an opportunity to view our building today, you would not find it luxurious. As a matter of fact, one of our concerns, as we go to make our move, is that we continue to maintain our integrity as a unique government agency. So it should not be luxurious.

Senator INOUYE. How many employees do you have in the Washington office?

Mrs. RUPPE. We have approximately 400, I would say.

Senator INOUYE. How many vehicles do you have?

Mrs. RUPPE. We have one vehicle and two trucks to do mail runs, et cetera.

Senator INOUYE. You just have three?

Mrs. RUPPE. Yes, sir.

Senator INOUYE. We were told you had much more than that.

Mrs. RUPPE. That is overseas, Mr. Chairman.

Senator INOUYE. But here, you have just one and two trucks.

Mrs. RUPPE. Yes.

Senator INOUYE. How many do you maintain overseas?

Mrs. RUPPE. We maintain approximately 350. We are in 62 nations, so each country has its own staff. And in order to visit volunteers and do the programming and all and bring supplies around, we need quite a number of vehicles.

However, I regret to say that because of budget problems over the years, we have not been able to maintain a rotation of vehicles that would have been most cost effective. We keep trying to get up to a rotation cycle that would maximize actually the economics of the situation. But every time our budget has problems, then that is one thing that normally gets cut.

INCREASE IN VOLUNTEER LEVEL

Senator INOUYE. I began my questioning with this nitpicking approach because of my concern on your number of volunteers. As you have indicated—and I agree with you—the increase that you have in this budget is, at best, negligible. On real dollar terms, it is less. When you consider what you have described as being uncontrollable, you will be getting less than what you got last year.

Now my question is: how much would you need in this fiscal year, fiscal year 1988 and the succeeding fiscal years to come up to a volunteer level of 10,000 that you speak of?

Mrs. RUPPE. Mr. Chairman, we were asked to provide such a plan over a year ago by the House and Senate. We did provide that plan, and we can really stand by that. That showed that starting in 1987, if we were at $137.2 million that we could start really laying the base. That would mean an increase of volunteers in many of the nations we are in. It would mean increases especially in our African Food Systems Initiative. It would mean that we could go into Chad and Ecuatorial Guinea with far greater numbers than are projected now. Right now we are projecting very small teams going in.

It would mean starting just to lay the base, knowing that we cannot parachute volunteers in, that we need the staff out there, that we need the program support and strong programming so that volunteers have real jobs.

But we really do project that at $137.2 million in fiscal year 1987, $146.2 million in fiscal year 1988, $157 million in fiscal year 1989, and the outyears the other numbers we submitted, $172.8 million for fiscal year 1990, $185.3 million for 1991, up to $196.2, that we could put 10,000 volunteers in the field.

That is really living up to all the incredible potential we see nowadays: the fact that Americans are willing to serve. We had 200,000 inquiries last year. We had 13,000 applications for 2700 places. That is not even aggressively recruiting among recent graduates or that age.

Senator INOUYE. How much would you have to increase your staff here to support 10,000 overseas?

Mrs. RUPPE. The main part of the support would be overseas in the programmers and the staff needed to support, additional medical support and all that. Here in this country, we would certainly need to upgrade our recruiting. We only have 80 recruiters now to cover 50 States.

So you are looking at an increase in recruiting, especially in the scarce skills. You are looking at additional mailings to all the companies that are involved in agriculture and forestry.

So we would see a gradual increase in those, say about 200 staff increase, but overseas primarily.

STATEMENT ON NEED FOR PEACE CORPS

Senator INOUYE. Like many of us in Congress, I was not only thrilled but I was very happy with the statement you made in the House Foreign Affairs Committee. Did you get into trouble because of that?

Mrs. RUPPE. I really have not so far, Mr. Chairman.

Senator INOUYE. Incidentally, in case the people in the audience have not heard what she said to the Members of Congress. she said: if our country cannot afford a Peace Corps, then our priorities are wrong.

Mrs. RUPPE. Right.

Senator INOUYE. That, some day, will be engraved on your building.

Mrs. RUPPE. Actually, when I first made that statement was out in your State. I was visiting with a group of private sector people to try to help raise money.

Senator INOUYE. You have a bunch of friends down there.

Mrs. RUPPE. Right. But a gentleman there turned to me, and he said: I have an idea for you, Mrs. Ruppe. I said: what? He said: well, I think you should go to the Japanese for help for your program. And that was when I really said: if our Nation cannot afford a Peace Corps, then our priorities are out of order.

We see such an incredible opportunity now. You, yourself, and Senator Specter of this committee served on a future team advisory committee. We make this same challenge, because we see corporate America, we see the universities, we see the unions of this Nation, we see the energetic fraternal organizations, the environmental groups, all of whom are willing to serve. We should utilize them.

But in line with your question as to whether I have gotten into trouble, I think most people now recognize that we are a bipartisan, nonpartisan agency and that we represent the best of all of America. So I am hopeful that a director of the Peace Corps would not get into trouble challenging America.

Senator INOUYE. If you get into trouble, we will round up our troops for you.

Mrs. RUPPE. Thank you.

HEALTH SERVICES PILOT PROGRAM

Senator INOUYE. Mrs. Ruppe, I am certain you are aware that I have joined the Kassebaum team. She has come forth with this health services pilot program which would join the Peace Corps with a volunteer health service team comprised of physicians, dentists and nurses. It is our intention to provide $1.6 million in addition to other resources which may be made available to your agency in order to provide funding for this pilot program.

Do you think that retired physicians, dentists and nurses as well as recent graduates of these schools can be effectively integrated into programs sponsored by your agency?

Mrs. RUPPE. I think, Mr. Chairman, very effectively, because as I have traveled to country after country over the last 6 years and have seen their health needs and then traveled across this Nation and have met dentists and doctors who want to serve, and nurses, I felt that if we had the money to do the proper program, to have a 10-year program in place where Peace Corps would be the catalyst, or bridge, to getting a hospital here or a medical school, fully involved in a partnership, that we could be the catalyst to do this and do the pilot project. Then we could see if we could use these Americans who have these tremendous skills and do it in the nations in which we serve, so that people are educated there to stay and remain and work on the health problems.

Senator INOUYE. I am glad to hear that, because much as we agree upon the need for such services within which to impose this idea, do you think it can be accomplished?

Mrs. RUPPE. I have been talking about this seriously across the Nation for years and when I have been overseas. When I was in Ghana just this past August, I asked them about the Courlevou Hospital, which was the teaching hospital of Western Africa in the 1960's and now, unfortunately, can barely meet the health needs of the people of the city of Accra. I said, what if Peace Corps could be a bridge or a catalyst of this type, and it met with great enthusiasm.

Our country directors were here just recently in Washington, D.C. You did them the honor, and Mr. Bond here, of coming to visit with them when they were here. They said, yes, we would like to see these types of programs.

We right now have Harvard Dental School very interested in having their fifth year students go into the Peace Corps on 6-month tours on a rotational basis. We are going to be pilot-projecting that this year in Malawi, Jamaica and Fiji.

FUTURES TEAM REPORT

Senator INOUYE. A major part of your prepared statement is devoted to work that you describe as Futures Team Report. When will this report be available for our review?

Mrs. RUPPE. It was almost ready, but then the country directors came in. We said to them, you are really out there and we really need your input on a major basis. So it is at the printer right now.

Senator INOUYE. Who are the members of this team?

Mrs. RUPPE. I am very proud to say, Mr. Chairman, that you are one of the members of the advisory committee.

Senator INOUYE. I thought I had a ghostwriter. [Laughter.]

Mrs. RUPPE. This was way back in August that the team met. The members of the team were mostly returned Peace Corps volunteers who worked at the Peace Corps. They were taken off their other duties to really look at the 40 symposiums that we had attended across the Nation relative to our 25th anniversary, what initiatives, what ideas had come out of that, how could Peace Corps itself be better targeted to allowing our volunteers to be more effective.

And we asked for a group of Future Team advisors. That is what you served on, Mr. Chairman, along with Senator Specter and our eight returned Peace Corps volunteer staff and members here in the House and Senate, and then a host of former directors, for example Sargent Shriver.

Senator INOUYE. Would you consider this to be a critical self-evaluation, or was it written by staff for staff to pat them on the back?

Mrs. RUPPE. I would say it was a critcal look at us. This document, which is for exterior, is more of a challenge to America to utilize our greatest natural resource, which is our skilled people, motivated people.

But the inhouse document really addressed the immediate concerns of the Future Team and was discussed in great length at the country directors' conference. Those recommendations of the country directors are now in force.

So the exterior document really did not get into the nuts and bolts because we did not really think that that was for the whole population. But the interior document has worked on allowing us to be more effective.

When I talk about that, Mr. Chairman, over the years the depoliticization of the country directors alone has helped us have our own most effective people out. The fact that I can now appoint for a further 30-month tour 15 percent of our staff allows us to have the continuity to support the work of our volunteers.

So in all of those things, I think my 6 years of experience has also allowed me to see the weaknesses, Mr. Chairman, that were inherent and the incredible dynamics of this agency. And I really feel that we have taken positive steps.

This is a challenge to America [indicating]. The internal document is a real nuts-and-bolts effort for us to again allow our volunteers to be more effective by better supporting them.

INTRODUCTION OF ODILON LONG

Senator INOUYE. I have many more questions, but before I yield to my colleagues here, I want my colleagues to meet Mr. Long, who is the oldest Peace Corpsman, 85 years old, and still active. He just got an award for public service.

Senator LAUTENBERG. That is very nice. Is the Peace Corps an elixir of youth, Mr. Long, that keeps you looking so fit and so young?

Mr. LONG. Maybe I did find eternal youth. I don't know.

Senator LAUTENBERG. That should get a lot more volunteers. [Raised hand.] Here we go. [Laughter.]

Senator HARKIN. Where are you from, Mr. Long?

Mr. LONG. Sir, I was originally born in northern Maine. I retired from Chicago after 41 years with the telephone company. Immediately when I joined Peace Corps, I committed myself to another career with the Peace Corps.

Senator HARKIN. Where have you served?

Mr. LONG. I served first in Gabon and in Sierra Leone, three times in Sierra Leone, Togo, Upper Volta, Haiti, just came from there. Now I'm from Costa Rica.

Senator LAUTENBERG. Do you have a special function that you address yourself to?

Mr. LONG. I am in rural development, anything in rural development, maybe a latrine, anything at all, buildings, schools. In Africa it was mostly schools.

Senator LAUTENBERG. School construction?

Mr. LONG. School construction, oh, yes, all construction.

Senator INOUYE. None of these are pleasure spots. They are all hardship posts. You have not had an easy one yet, have you?

Mr. LONG. No. I don't want to join the staff. I want a volunteer job.

Senator LAUTENBERG. We thank you for doing that. That is a wonderful example for everybody to see.

Mr. LONG. Thank you.

Senator INOUYE. So don't say anything bad about the Peace Corps while he is here.

Senator HARKIN. He is still pretty fit and able to take us on. [Laughter.]

Senator INOUYE. Mr. Harkin?

Senator HARKIN. Thank you, Mr. Chairman.

Let me again say, Mr. Long, it has been an honor to meet you. There has been a lot of talk in the last few months about American heros. In my book you are one of them. You are an American hero.

Mr. LONG. Thank you, sir.

CENTRAL AMERICA PROGRAM

Senator HARKIN. Ms. Ruppe, I wanted to cover very briefly Central America. It is my understanding that the Peace Corps' largest program is Honduras.

Mrs. RUPPE. Yes.

Senator HARKIN. The Peace Corps appropriated $5.1 million for its operation in Honduras in 1987. I understand the estimate for fiscal year 1988 is even larger, $6.8 million for Honduras. I compare this to Guatemala with $3 million. But it is interesting for Haiti—you were in Haiti, Mr. Long?

Mr. LONG. Oh, yes. I left 2 days before Baby Doc left there.

Senator HARKIN. Haiti, which is the poorest country in the Central America/Caribbean region receives only $1.3 million from Peace Corps. The per capita income in Haiti is $320 a year; in Honduras it is $670. So I wonder if you could elaborate on your program in Honduras, its size, and why it will increase over 20 percent in 1 year. Will you elaborate on this, how many volunteers you have there, where they are based?

SPECIAL FUNDING FOR CENTRAL AMERICA

Mrs. RUPPE. First of all, a little bit of the legislative history, appropriated history: when President Reagan appointed the Kissinger

Commission, the bipartisan national commission, to draft a program of peace and economic stability for Central America, I testified before it that Peace Corps type work was the type of work that needed to be done on a village level and that we had not been meeting requests throughout Central America for several years due to the decline in budget.

So that was heard by the Kissinger Commission and we were appropriated special money for Central America. We did send teams down to Central America, assessment teams, to Belize, Guatemala, Costa Rica and Honduras at that time to talk with ministries and see where there were needs. Each country was assessed differently, and we responded to those needs.

Honduras, because of its size and stability at that point in time, requested a large number of volunteers. Honduras was very interested in adult literacy program, and they felt they had the need. So we responded to those needs.

Guatemala at that point in time—and we are talking about 1984, 1985—had quite a bit of volatility. So they were not in a position to really support larger numbers of volunteers.

So we did increase Belize, Guatemala a small amount, Costa Rica and Honduras a large amount because they did have the villages and the needs there.

In the meantime, we had just entered into a program in Haiti in 1982. That was the first time we ever had a program there. So it has taken some time to really build a program. That plus the political unrest in the last year and a half has caused us to keep our numbers relatively the same there. When you have elections coming, when you have a lot of unrest, it is very difficult to have volunteer support. For instance, at the time of the revolution, virtually all of the vehicles that they had used for some of their agricultural and forestry work were destroyed by some of the violence. That meant no transportation. So we are just rebuilding there.

I do intend to be there by the end of this week. I am flying to Haiti on Sunday to assess and to see, because I agree with you: that is one of the neediest nations in our hemisphere.

How can we best meet those needs? We would be very interested in increasing volunteers plus the budget.

FUNDING FOR HONDURAS

In Honduras, actually, our numbers went down considerably also, because when the new government came in they were not originally as interested in the adult literacy program. Now, we are simply more or less rebuilding there.

Senator HARKIN. You are saying that $5.1 million for 1987 is less than what it was in 1986?

Mrs. RUPPE. No, it is not less, but the numbers are just going back up because the numbers had fallen somewhat in Honduras from our original projections under the plan.

Senator HARKIN. But you never spent more than that; these are just projections.

Mrs. RUPPE. These are projections. Right.

Senator HARKIN. But the amount of actual money spent continues to go up every year in Honduras.

Mrs. RUPPE. Right. Inflation and all of that is another added factor.

Senator HARKIN. I am saying that between this year and next year, funding for Honduras will increase by 20 percent. That is a big increase.

Mrs. RUPPE. It was my impression that we had originally fallen in those areas. But let me get the facts and submit a complete report.

[The information follows:]

HONDURAS

In the early 1980's, Peace Corps/Honduras maintained a program level of approximately 180 to 200 Volunteers. This was in response to the needs in Honduras, requests from the Government of Honduras, and Peace Corps ability to recruit and fund Volunteers. Following the recommendations of the Bipartisan Commission on Central America, Peace Corps studied the situation in Honduras and, based on the serious development needs in that country and continued interest on the part of the Honduran government, we established plans to nearly double our efforts there. When funding became available, we began to increase the size of our Honduras program, only to meet with Gramm-Rudman-Hollings related cutbacks in fiscal year 1986. In spite of the cutbacks, we have made every effort to maintain a program which can meet the current needs in Honduras, and we hope now to have 300 Volunteers through the next couple of years.

Peace Corps/Honduras is a broad-based program which addresses a variety of development needs; we currently maintain 23 projects in Honduras. The areas in which we work include urban and rural health, formal and nonformal education, rural development, community services/small enterprise development, animal production, crop production, and natural resources. While some of the Volunteers live and work in urban areas, we are placing an even greater emphasis on rural Volunteer placement, as this is where the severe needs exist.

VOLUNTEERS ON HAND

Senator HARKIN. How many volunteers do you have in Honduras?

Mrs. RUPPE. I would say we have close to 300 right now. We had fallen from 350 due to the fact that when the literacy program was not as strong as we had hoped, we decided there was no point in pumping more volunteers in until we had really relooked at it.

Senator HARKIN. What kind of projects are those 300 people working on out there?

Mrs. RUPPE. I was just there in January and February. There are a number in vocational training, a great deal of reforestation, fisheries. I saw quite a bit of beekeeping. We are working on trying to help the Honduran farmers acclimate themselves to the African bee. There is a great deal of small-business development at the village level and with women in development.

One thing that really pleased me very much there was the ongoing coordination with the Agency for International Development in forestry and this beekeeping, in oral rehydration therapy and battling childhood communicable diseases. AID is allowing us to have more in-service training, our volunteers able to train with the small farmers they work with or the small-business people, and we see the additional training very helpful.

I was also very happy to see, for instance, a volunteer from the International Executive Service Corps, a business person, helped in a workshop where our volunteers came in with the projects they are working in to receive additional training.

So we have health, education, the literacy program, quite a bit working with city youth in orphanages and areas like that.

INCREASES IN AGRICULTURE AND RURAL DEVELOPMENT

Senator HARKIN. Is there any one area that stands out, that takes the largest amount?

Mrs. RUPPE. Agriculture and rural development.

Senator HARKIN. There is an increase of $1.7 million from this year to next year in the budget. Where do you see that $1.7 million going?

Mrs. RUPPE. Quite a bit of it is for a commitment we had made through this plan for the Initiative for Central America to try to keep our program as strong as possible. It had dropped off there, so some of this money is really to go in to put more trainees in again this year to bring the figures up, because we went down to about 300.

Senator HARKIN. The plan that you refer to, the Kissinger Commission, the results of that include all of Central America and the Caribbean, not just Honduras.

Mrs. RUPPE. Guatemala is also going up, Senator. We are increasing our numbers there also.

Senator HARKIN. What are the numbers for Guatemala this year?

Mrs. RUPPE. Pardon me just one moment.

Senator HARKIN. It says here appropriated funds for Guatemala, fiscal year 1987, less than $3.159 million, fiscal year 1988 estimate, $3.08 million.

Mrs. RUPPE. These are estimates, but in our internal workings we had decided that for Guatemala—that was after I came back from my trip and was up in the Altaplana—we could increase that—that was following our congressional budget submission.

Senator HARKIN. So it is going to go from $3.159 million to what, a 20 percent increase?

Mrs. Ruppe. May I submit that to you, Senator?

Senator HARKIN. Please do. This shows it is going down rather than up.

[The information follows:]

GUATEMALA

In the early 1980's, the Peace Corps/Guatemala program was reduced in size as a response to violence in the country and our need to place Volunteers only in sites where they could serve safely and productively. Since 1984, the situation has improved markedly in Guatemala, and we have been able to slowly return our program to its previous size. The program averaged about 175 Volunteers in 1986 and 1987, and it is now averaging close to 200 Volunteers. We hope to maintain the program at this size; this is in response to requests we receive from the Guatemalan government and our ability to fill those requests. The exchange rate between the Guatemalan currency and the U.S. dollar has fluctuated greatly during the past 2 to 3 years, so budget figures sometimes make it appear as though we are funding more Volunteers with less money.

Currently, the Guatemala program consists of projects in agriculture, natural resources, health and nutrition, and youth development. At the request of the Guatemalan government, the majority of our Volunteers will continue to devote their efforts in the areas of agriculture and health, particularly in the rural projects.

HONDURAN POPULATION

Senator HARKIN. What is the population of Honduras? It is 4.8 million. Guatemala has 7.9 million, almost twice as many people.

Mrs. RUPPE. Again, Senator, we have the staff in place in Honduras, so to add people is easier and requires less money, where in Guatemala, you would have to build up more staff and everything else. But we are determined to move ahead in Guatemala, and I agree with you completely.

Senator HARKIN. And in Haiti, especially Haiti. How long has it been since Baby Doc was overthrown?

Senator INOUYE. A year.

Mrs. RUPPE. But Haiti has to become stabilized. One of the major problems in both the Philippines and Haiti is that you keep hoping you can do the solid programming that is needed, but when they continually go through one election after another or a constitution, all of this makes it very difficult to work with the ministries.

Senator HARKIN. Is Peace Corps not welcome in Haiti?

Mrs. RUPPE. Very much welcome.

Senator HARKIN. That is what I thought. In fact, from the contacts that I have had with Haiti, they want more Peace Corps, especially since Baby Doc was overthrown. I do not understand why we are now hesitant because of the current situation. I think now would be the opportune time to put Peace Corps people over there.

Senator INOUYE. If I may, whenever we send volunteers, the host country, No. 1, has to request them. No. 2, we would have to analyze the available infrastructure there to make certain that our people can be properly received. No. 3, we have to be concerned with the health and safety of our volunteers. We are not going to send them into an area where we know that the rebel situation is so violent that the chances of injury are grave.

So right now the Haitians are having a few problems. They had their first election, and slowly the violence level is coming down. But it has not reached that point yet, so it is not too safe to place people like Mr. Long way out in the jungle. But we will get to that stage.

Do you want to hire me as your deputy?

Mrs. RUPPE. Yes, I could certainly use a good deputy. You could even be the director. I would be happy to be your deputy. [Laughter.]

Senator INOUYE. But my answer was correct, was it not?

Mrs. RUPPE. Yes, it really is.

But Senator, in answer, you are bringing out absolutely the things that we would like to be doing, and we do intend to increase up to 50 volunteers in Haiti. But it has been very difficult while there is that much unrest to be able to do the programming for the volunteers.

Senator HARKIN. I'm sorry to take so much time, Mr. Chairman.

Last, is there a program in El Salvador?

Mrs. RUPPE. No, there is not. Unfortunately, in the 1970's volunteers had to be pulled out of both El Salvador and Nicaragua because of the violence. Actually, President Duarte at the inauguration of the president of Guatemala did talk to our country director at that time and expressed some interest. But when we really checked with our own embassy, they felt the situation simply is too violent at this point in time to have volunteers serving there.

The minute it becomes less violent, we would very much like to return to all the nations of Central America. We should be back in Panama. We should be in more nations in South America. I think it is a tragedy that we are not in Brazil at this point in time. Why not finally be invited to Argentina? That is why we feel that if we could show that this natural resource that we have in this Nation of our people are programmed and are seen to be as valuable as they can be in the next 25 years, we would be back in those countries. And we should be.

But right now we are not allowed to aggressively project that because we are barely meeting the needs in the countries we are in.

INCREASED FUNDING LEVEL FOR PEACE CORPS

Senator HARKIN. I do not want to put you on the spot, but could the Peace Corps absorb a higher level of funding?

Mrs. RUPPE. Definitely, definitely.

Senator INOUYE. That is why she is here. [Laughter.]

Mrs. RUPPE. And we have presented a plan. I think what is really sad is the issue of the B–1 bombers. All of our 5,500 systems are in place and the cost is half of one B–1 bomber. We have presented a plan to the Congress that shows that for $10 million more a year, we could do all the things that we should be doing. That is utilizing the people of the United States.

We have 13,000 applications. We are turning down thousands of Americans who want to serve. And we are not even aggressively pursuing business people with tremendous skills who could help advise small business people in developing countries. As one of our country directors in Costa Rica recently said, it is not small enterprise development; it should be TED, tiny enterprise development. But that is what needs to be done.

When I think of training, why could not President Aquino challenge a generation of Filipinos to serve? They have many unemployed highly-skilled people. We could help train them and get them out there. We see unlimited opportunities.

We are going to present this challenge. I have partially presented—it is still at the printers—a challenge to the unions. They sent teams out in the 1960's. Now that retired people like Mr. Long, who is just a mere 85 actually, Mr. Chairman, are willing to serve, we should be utilizing them.

We are working with Rotary International, the Lions Club. We see all of those connections, including retired faculty. MIT is now interested in sending retired faculty overseas to train teachers. It is all just waiting to be done, but we cannot do it at the level we are at.

We have presented a plan that for $10 million more a year we could be doing this coordination.

Senator HARKIN. Mr. Chairman, it is refreshing to have an advocate on this program.

I congratulate you. Thanks for your advocacy.

Mrs. RUPPE. Thank you.

Senator INOUYE. Incidentally, she just established a new record. She has been director of the Peace Corps longer than any of her predecessors: 6 years.

Senator HARKIN. Congratulations.

Mrs. RUPPE. Thank you, Senator. And I have seen it, and it works. All of you have supported it for years, and now let's really move into the first year of our next 25 and do all that we can and should do.

HEALTH AND SAFETY OF VOLUNTEERS

Senator INOUYE. I have one final question. Like all of the members of this committee, I have been concerned about the health and safety of our volunteers, and we try to keep them out of danger areas. In the case of the Philippines, with the potential of violence there, what sort of arrangements are we making to provide protection for our volunteers? We have 300 there now, do we not?

Mrs. RUPPE. We are down to about 240, but we hope to rebuild to 300 or so. We have a complete evacuation plan that is updated continuously so that if there is violence in a certain area, those volunteers can be pulled out immediately. We work closely with the embassy in that regard, the safety of our volunteers.

We have training for our volunteers as to how they are to react if there is a situation. For instance, in the past year, Mr. Chairman, when there was a rise in violence in Mindanao, we did pull our volunteers out of there. So it is true in any country we are in. For instance, in Central America, if we see problems along the border where normally most of the problems occur, we simply will either not place volunteers there or, if there is any increase in violence, we will remove them.

AIDS PROBLEM FOR VOLUNTEEERS

Senator INOUYE. Finally, a rather sensitive problem: AIDS. We send our volunteers to areas in the world where AIDS may be at an epidemic level, for example, Africa. We send our people to the less-developed countries where, for example, we reuse hypodermic needles, unlike our hospitals here.

What are we doing? Are we doing anything about AIDS education for our volunteers? Are we taking any special precautions?

Mrs. RUPPE. Mr. Chairman, needless to say, for all the reasons you pointed out, we have been extremely concerned about this problem from the first indication that it was going to be the plague of our century.

So in the past 2 years, we have been working closely with the Center for Disease Control. That has primarily been worked at in Zaire where we have had a protocol with them. As of March 1 of this year, we also have instituted a testing procedure for all incoming applicants to the Peace Corps. We, as I say, are working closely with the Center for Disease Control and have followed all of their suggestions in our policy dealing with AIDS.

We also feel very strongly that we should be looking very very carefully as to how we can help overseas in meeting this real health crisis of our times. So we are hopeful within the next few months to bring a person who has been working in Zaire back to the United States to really look at it and see if there is any way besides protecting the health of our own volunteers that we could do some programming that would help this critical area of health throughout the world.

Senator INOUYE. Once again, Mrs. Ruppe, I thank you very much, and I thank you for that great statement: if our country cannot afford a Peace Corps, then our priorities are wrong.

Mrs. RUPPE. Thank you very much, Mr. Chairman.

Senator INOUYE. We look forward to working with you. Do not be surprised if we add to what you requested.

Mrs. RUPPE. I would appreciate it.

Senator INOUYE. And thanks to Mr. Long.

SUBMITTED QUESTIONS

The subcommittee's submitted questions, together with your responses will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE

Africa Food Systems Initiative

SENATOR INOUYE: Mrs. Ruppe, I am interested in the team approach you have developed for the Africa Food Systems Initiative. As I understand the approach, a team of five to ten Volunteers, with complementary skills, work at the village level with small-scale farmers. Please tell us a little more about these teams. Do they live in the villages in which they work? I would imagine that, in small African villages, the presence of ten foreign residents would be disruptive. Is it? What training and supervision do these teams have? Are they accom-panied by Peace Corps staff? Who functions as the leader of the team? Is the Peace Corps country director required to have frequent contact with the teams? Weekly contact?

LORET MILLER RUPPE: Under the Africa Food Systems Initiative (AFSI), each country program is uniquely tailored to the specific regional needs of the people in each area where the teams of Volunteers are to be placed. Region by region program design, while promising and necessary for successful African development, makes generalizations about AFSI teams difficult.

The AFSI teams are located in regions rather than single villages. The teams' primary objective is the successful transfer of skills to individuals residing in the regions to assist the native populations to become more independent. Each region is defined by homogenous agricultural and ecological features. All Peace Corps Volunteers live in or near the villages where they work. An entire team, however, would never be placed in a single village. Members of a team are located at sites in close enough proximity within a given region to allow accessibility to one another. Care is taken when determining Volunteer sites to avoid placing Volunteers too close together.

TRAINING

All Volunteers under the AFSI program receive extensive pre-service technical, cross-cultural, and language training in-country so that they can effectively teach and train those they serve. In most cases, training includes a live-in experience either with a Volunteer already in the field, or in the home of a village resident near to the Volunteer's future site. Language training in French and often the local language is necessary in many countries to assure effectiveness in the Volunteer's assigned job. The cross-cultural component in pre-service training allows for smoother adjustment of the Volunteer as he or she settles in to a two year Volunteer tour. Additional in-service training of a technical nature is provided to groups of Volunteers at appropriate intervals throughout the two year period of service.

All Initiative countries have redesigned their pre-service training models to upgrade technical training and to encompass the Volunteer team approach both as it pertains to the current team make-up, and looking to succesive generations of volunteers who will carry on the work of the first teams. Training also seeks to address the intergration of sector programs such as water resource management with horticulture and agroforestry.

SUPERVISION

The program designs for each AFSI country provides for support and supervision of the AFSI teams. The specific structure for team leadership is determined by the character of each team, which itself is dictated by circumstances such as team composition, the stage of the team's progress and maturity, and the specific mission of the team. The Initiative design strives to provide necessary support while remaining flexible to the changing needs of a team as it matures and faces unforseen obstacles.

Volunteers are supervised by a representative of the host country ministry development organization or institution to which they are assigned and by Peace Corps staff. Overall supervision of Volunteers on a team is the responsibility of an Associate Peace Corps Country Director who reports to the Country Director. It is rarely feasible for the Peace Corps Country Director to make weekly visits to the regions where teams are working. However, the Associate Director responsible for a team might be stationed in or near the targeted region, or make frequent trips to meet with the team to provide back-up and support. The Associate Director, of course, works closely with and is responsible to the Country Director.

Priorities

SENATOR INOUYE: Mrs. Ruppe, since its inception, the Peace Corps has had the same three basic goals:

1. Promote world peace and friendship through the voluntary participation of Americans in programs to meet third world needs for trained manpower;

2. Promote a better understanding of Americans; and

3. Promote a better understanding of foreign peoples by Americans.

The world has changed alot in the twenty-five years since the Peace Corps began. Are those goals still valid?

LORET MILLER RUPPE: In a world that has grown increasingly interdependent, Peace Corps' three goals are as valid today as they were in 1961 when Congress enacted the Peace Corps Act. Conditions in the developing world --where four-fifths of the world's population live -- demand that we continue to provide all the development assistance we possibly can.

The first goal is the essence of the Volunteers' work overseas. They go to countries in the developing world, live at the same economic level as the people, speak their language, "help them with their hardest tasks," in the words of one African leader, and train them to develop skills for self sufficiency. Most importantly, the Volunteer is an agent of change who, through programs design in consultation with host country ministries and leaders, contributes to the overall development goal of self-sufficiency at the grass roots level.

The second goal is met through the Volunteers' placement in the developing countries. Living in the host country for two-year periods, Volunteers become living examples of and resources about American values, ideals and history. Through them, host country nationals are exposed to American compassion, democratic ideals and our tradition of individual freedom.

The third goal -- educating Americans about the developing world--takes place during and after the Volunteer's tour of duty. While serving, many Volunteers write regular articles about their experiences for their hometown newspapers, or find ways in which hometown organizations can participate in partnership projects, such as building a classroom. or financing a new well. Upon their return home, Volunteers often maintain active public speaking schedules, participate in returned Volunteer organizations, pursue work in the development and international fields, or in teaching -- all of which contribute to the realization of the third Goal.

SENATOR INOUYE: Which of these goals has the highest priority in today's world?

LORET MILLER RUPPE: The first goal of Peace Corps continues to have the highest priority as it involves the transfer of basic human skills to host countries desperately in need of methods for attaining the very basics in the areas of food production, health and sanitation, etc.

SENATOR INOUYE: Does your budget reflect this priority? How?

LORER MILLER RUPPE: Virtually all of Peace Corps' budget is directed toward the support of our Volunteers overseas, which answers both goal one and two. While we are unable, due to budget constraints, to fully address the needs of the countries in which we serve, we feel that our budget does reflect the first goal as our highest priority. The majority of our Volunteers are assigned to countries with the lowest quality of life and are serving in such vital areas as agriculture, fisheries, forestry, basic health, sanitation, and education. Goal three is supported, primarily, through our Office of Private Sector Relations/Development Education. The office's fiscal year 1988 budget is $756,800.

SENATOR INOUYE: Among the numerous success stories which you cite in your prepared remarks and in the Congressional Presentation Document, I find an emphasis on potable water projects. What portion of your program budget is devoted to the funding of projects designed to bring safe drinking water to the poor?

LORET MILLER RUPPE: At the present time Peace Corps has water and environmental sanitation programs in 34 countries where 471

Volunteers (6.2% of Volunteers serving in the Peace Corps during FY 1986) are involved in 50 projects. These Volunteers are promoting the construction and rehabilitation of gravity-fed potable water systems, hand dug wells, ferrocement cisterns, the installation and maintenance of water lifting devices, simple low-cost water treatment systems, irrigation systems design and construction, small dams and reservoirs for livestock watering and irrigation, and environmental sanitation activities such as latrine construction, vector control and refuse disposal. In addition, a significant number of Volunteers are working in integrated rural development projects which cut across the development sectors, and frequently involve water resources development. The Africa Food Systems Initiative is an example of integrated programming in food production which crosses into water supply and small enterprise development.

SENATOR INOUYE: Is your budget based on program activities or is it the sum of individual country programs? Is there a programmatic structure to your budget?

LORET MILLER RUPPE: Historically, Peace Corps has responded to specific requests from host country governments. Peace Corps initiated programming has been minimal, given the sensitivity of host country governments to interference in their internal planning process. Peace Corps has however, over the years, initiated a number of successful programming efforts such as those initiated around the world in the area of fisheries. With limited resources, Peace Corps is becoming more sensitive to the need for improved programming on the part of our staff overseas to ensure that our Volunteers are placed in areas where they have the greatest impact and meet the highest priority needs.

Although Peace Corps has not had a formalized programmatic structure, we have been moving, over the last two years, to develop such a structure and would hope to have one in place by the start of the next fiscal year.

Collaboration With Others

SENATOR INOUYE: Mrs. Ruppe, I am interested in your efforts to collaborate with other agencies of the U.S. Government and private organizations to further the Peace Corps' impact on development. Can you tell the Subcommittee a little more about this?

LORET MILLER RUPPE: Peace Corps gives high priority to securing project resources through cooperation with both U.S. Government and private organizations to augment the skills resources Peace Corps provides. On the Government side, Peace Corps has cooperative agreements or other cooperative relationships with the Agency for International Development, the Department of State, the U.S. Department of Agriculture, the African Development Foundation, the National Park Service, and the Fisheries and Wildlife Service. In the private sector, Peace Corps collaborates on projects overseas with more than 100 American, international, and indigenous PVO's and non-government agencies.

SENATOR INOUYE: How have your collaborative efforts with the Inter-American Foundation worked out?

LORET MILLER RUPPE: Peace Corps maintains its traditionally close relationship with the Inter-American Foundation, a productive relationship of which we are very proud. Each organization tries to keep the other aware of its programs in the field and search for ways to work together in them. Here in Washington, representatives of IAF and Peace Corps confer at least monthly, and all Peace Corps overseas staff visit the IAF before departing for their countries. IAF staff travelling to Latin American countries normally try to visit Peace Corps headquarters to look for collaborative opportunities.

In addition, Peace Corps Volunteers often bring worthy local organizations to the attention of IAF representatives. Several projects now going on in Latin America are collaborative efforts between Peace Corps and IAF. One good example is in Honduras where a rice-growing cooperative is successfully operating with the technical assistance of a Peace Corps Volunteers and a $240,000 grant from the IAF.

SENATOR INOUYE: I was pleased to learn of the Peace Corps' effort to develop an alternative cooking stove for the people of Togo. Have you shared this learning experience with any other development assistance agency of the U.S. Government? Did the Peace Corps learn about this technology from any other development assistance agency of the U.S. Government?

LORET MILLER RUPPE: There are Peace Corps projects in a number of countries, including Togo, which have contributed to the development of new and improved cookstoves. The Togo project is a country specific attempt to match local resources with appropriate cookstove technologies. The Togo Appropriate Technology Project began in 1982 and since that time considerable effort has gone into refining cookstove technology, beginning initially with the Lorena Stove and moving later to the basic mud stove which was developed and promoted by the Volunteers and the Department of Social Affairs in Togo. During the initial stages of this project Peace Corps programmers made use of research conducted or sponsored by other agencies of the U.S. Government including USAID and Appropriate Technology International, as well as a number of private development organizations.

To date no information has been printed and disseminated to other U.S. Government agencies on the Peace Corps/Togo Appropriate Technology Project, except for information which is exchanged at the level of the local USAID mission in Lome. While there are no current plans for a publication on the Togo project, such a publication in the future is likely in view of the long standing agency policy of encouraging the widest possible sharing of technical information which has been developed by Peace Corps Volunteers and the people with whom they work. The Peace Corps' Information Collection and Exchange Division (ICE) has a number of Peace Corps generated technical materials available for use by other government agencies as well as the general public. Included in these materials is a study completed last year which compares cookstoves in Benin, Togo and Ghana. Other ICE publications in this area include:

- Improved Cookstoves - A Training Manual
- Improved Cookstoves - A Guide to Beginning an Improved Cookstove Project
- Peace Corps/Mali Woodstove Notes

SENATOR INOUYE: I have before me an Appropriate Technology Bulletin put out by the U.S. funded, semi-autonomous agency known as Appropriate Technology International, or ATI. It speaks of the development of improved charcoal stoves in Kenya.

Does the Peace Corps know about this technology?
Does the Peace Corps know of ATI?
Does the Peace Corps have a collaborative relationship with ATI?

LORET MILLER RUPPE: While the Peace Corps is familiar with the Appropriate Technology Bulletin and receives copies of it on a regular basis, we have not yet received the most recent issue which contains the article on improved charcoal stoves in Kenya to which the Senator referred. When this issue is received, copies will be sent to Peace Corps programs overseas.

Peace Corps has an on-going relationship with Appropriate Technology International which includes a regular exchange of technical publications.

Forgiven Loans to Volunteers

SENATOR INOUYE: Mrs. Ruppe, I would like to know more about the forgivness of loans to Peace Corps Volunteers. Do I understand correctly that a volunteer could have up to 70 percent of his college loans, under the National Direct Student Loan program, forgiven for service in the Peace Corps?

LORET MILLER RUPPE: In the case of Peace Corps Volunteers, the portion of loans which will be cancelled is fifteen percent of total direct student loans for each of the first two complete years of service, and 20 percent of total direct student loans for each of the third and fourth complete years of service. Thus, an individual who has a direct student loan and who meets the other requirements for cancellation, and who serves four years as a Peace Corps Volunteer will be eligible for forgiveness of seventy percent of his or her loan, plus the entire amount of interest due on the loan attributable to the years of service. Only a small number of Peace Corps Volunteers serve for four years.

The forgiveness provisions apply only to loans made to "new borrowers" to cover the cost of instruction for periods of educational enrollment beginning on or after July 1, 1987. A "new borrower" is an individual who, on July 1, 1987, has no outstanding balance of principal or interest owing on any loan made under the Direct Student Loan program. Since not many applications for Peace Corps service are likely to qualify as "new borrowers" for several years, the cancellation provision probably will not have much effect until about 1991.

SENATOR INOUYE: Do these provisions of law apply to other forms of voluntary service to the United States? For example, is a volunteer soldier eligible for the same loan forgivness?

LORET MILLER RUPPE: Under an amendment to Section 465 of the Higher Education Act of 1965 contained in Section 405 of P.L. 99-498, the "Higher Education Amendments of 1986," Peace Corps Volunteers and Volunteers under the Domestic Volunteers Service Act of 1973 (chiefly VISTA Volunteers) were added to the categories of individuals who are eligible for cancellation of a portion of their direct student loans (Perkins loans) because they are engaged in public service activities. The cancellation provisions do not apply to loans made under the guaranteed student loan program. Other individuals covered by the cancellation provisions include teachers in elementary and secondary schools serving low income students, teachers of handicapped children, full-time Head Start staff members, and members of the Armed Forces serving in areas of hostilities that qualify for special pay under Section 310 of title 37, United States Code.

SENATOR INOUYE: Most of your volunteers come from the higher socio-economic levels of our society, do they not? Does the program favor those who are comparatively well off?

LORET MILLER RUPPE: Since the cancellation provisions apply only to the National Direct Student Loan Program, which is limited in its applicability to financially needy students, it is unlikely that they will benefit Peace Corps Volunteers who are comparitively student loans. On the contrary, since the concellation provisions apply only to a loan program designed to assist students from comparitively lower income backgrounds, it is possible that the existence of these provisions will assist Peace Corps in its efforts to recruit low-income and minority students.

SENATOR INOUYE: Is there a ceiling on the total amount of loan repayments which may be forgiven?

LORET MILLER RUPPE: The ceiling on the aggregate of direct student loans to an individual is:

1) $18,000 for graduate and professional students, including loans made before the individual became a graduate student,
2) $9000 for students who have successfully completed two years of a program leading to a bachelor's degree, including loans made before completion of two years of instruction, and
3) $4500 for all other students.

The maximum amount of loans which can be forgiven is $12,600 for an individual who has attended graduate or professional school and serves four years as a Peace Corps Volunteer. Individuals who have obtained a bachelor's degree, but have no graduate school, will be eligible for forgiveness of a maximum of $6300. The maximum amount which could be forgiven for the normal two year Peace Corps tour is $5400 for graduate students and $2700 for holders of a bachelor's degree.

Appropriation Levels

SENATOR INOUYE: The Administration is requesting the appropriation of $130,682,000 to support the Peace Corps in fiscal year 1988. This is a negligible increase at best, and does not even keep up with increases in your uncontrollable costs. What amount of funding would be required for fiscal year 1988 to enable the Peace Corps to begin building towards a Volunteer level of 10,000 in 1992?

LORET MILLER RUPPE: $146.2 million.

SENATOR INOUYE: What would be the minimal annual increase which would be required to achieve, by 1992, an orderly, well programmed expansion of the Peace Corps to a 10,000 Volunteer level?

LORET MILLER RUPPE: Between $9 and $11 million per year to ensure that appropriate programming would take place prior to placement of Volunteers overseas, and to ensure adequate staff and medical support for Volunteers on arrival in country.

SENATOR INOUYE: If you had that many Volunteers, where would you place them? How much would you have to expand your staff to support this level of Volunteers?

LORET MILLER RUPPE: The bulk of additional Volunteers would be placed in countries which already have programs. Many of these Volunteers would be used to expand existing programs; others would be used to establish new programs not previously established. For example, we would like to expand our focus on food production, basic health, water and sanitation in order to ensure that developing countries have the means to feed themselves and to prevent illness through basic sanitation.

We would also look to possibilities for new country entries to expand Peace Corps assistance to other developing countries. Most of these programs would need to be initiated with relatively small numbers of Volunteers but could be expected to expand fairly rapidly.

To support a Volunteer force of 10,000 we would estimate a need for between 200 and 300 additional staff over a five to six year period, primarily in overseas positions. Staff increases would be needed prior to expansion of Volunteer numbers to ensure adequate support would be available when Volunteers arrive in country.

QUESTIONS SUBMITTED BY SENATOR KASTEN

QUESTION 1

SENATOR KASTEN: Mrs. Ruppe, the appropriations for the Peace Corps have increased about 24% from fiscal year 1982 to fiscal year 1987, but notwithstanding that increase over these years, you are showing total Volunteer years in the coming year as being below that of fiscal year 1982. How do you explain this?

LORET MILLER RUPPE: There have been three major factors contributing to a decline in budget in terms of real dollars for the Peace Corps. The first has been the increase in uncontrollable costs such as rents, FAAS, FECA, where increases have not been recognized in terms of increased budget. Our inability to prevent increases in these costs, since they are outside the control of the agency, has resulted in a decline of funding available for Volunteer programs.

Second, the impact of inflation and currency revaluations in our overseas programs has resulted in many posts having to reduce the scope of their Volunteer programs in order to absorb the impact of deteriorating host country economies.

Third, we have attempted, since 1982, to focus not just on the quantity but the quality of our Volunteer force. Expanded efforts to improve our recruitment programs, to improve our training programs, and to increase our ability to respond to host country demands for increasing numbers of scarce skills through greater use of training programs stateside, have all resulted in increased costs to Peace Corps which have, although producing more scarce skills among our Volunteers and reducing attrition rates, have also resulted in fewer funds being available for Volunteer levels.

QUESTION 2

SENATOR KASTEN: What is the status of your program in Burkina Faso? I understand that after having been asked to leave, they have once again changed their minds and have requested that you stay. Is that the case?

LORET MILLER RUPPE: The government of Burkina Faso notified the Peace Corps in June 1986 that Volunteers were no longer desired. During subsequent discussions the government of Burkina Faso informed the U.S. Ambassador and the Peace Corps that the work of Volunteers did not coincide with the government's new priorities. To date, there has been no change in their views.

There are currently 30 Volunteers remaining in Burkina Faso. They will finish their service on June 30, 1987. The remaining staff will leave by July 31, 1987, ending over 20 years of uninterrupted collaboration.

QUESTION 3

SENATOR KASTEN: Do you plan any new entries this year? Do you plan vacating any countries?

LORET MILLER RUPPE: There are two new African countries where we are considering placing Volunteers this year. They are Chad and Sudan. In addition, we are presently continuing discussions with Equatorial Guinea to finalize a country agreement.

Peace Corps is also investigating the possibility of placing Volunteers in Pakistan, Guinea Bissau and the Comoro Islands. Burkino Faso is the only country we are planning to vacate this year.

CHAD: Peace Corps has been invited by the Government of Chad and encouraged by the American Embassy to reestablish a program. Peace Corps withdrew from Chad for security reasons in 1979 after 14 years of service. In October, 1986, an exploratory team returned from Chad with a positive recommendation, contingent upon a continued absence of hostilities in Southern Chad.

All reports we have received from the American Embassy and all the information leaned from the media indicate that the security situation poses no problem for Peace Corps personnel, and that the political environment favors our reentry.

In late May a three-member program development team, including the Chad country representative, will travel to Chad to begin establishing the Peace Corps program. We project having about twenty Volunteers in the field by the end of FY '88, working in agricluture, forestry, water resource management, health and education.

SUDAN: The Sudanese management of the Sudan Renewable Energy Project (SREP), the USAID funded project to which the initial five Peace Corps Volunteers were assigned, has expressed an interest in renewing Peace Corps' participation on the project in its next phase beginning summer 1987.

Both the Ambassador and the USAID mission director have expressed their support for the contribution Volunteers made to this project. Peace Corps is examining the possibilities of placing Volunteers in the field at the end of FY 87 or beginning of FY '88 in a collaborative arrangement with the new contractor.

EQUATORIAL GUINEA: Peace Corps is continuing discussions with the Government of Equatorial Guinea to finalize the country agreement. A small number of Volunteers will be assigned to cooperative education programs under the auspices of a USAID funded private voluntary agency, the National Cooperative Business Association (NCBA).

Peace Corps and the NCBA are developing a scope of work for the administration of the Peace Corps program in Equatorial Guinea, which will be managed by NCBA.

GUINEA BISSAU: USAID and Embassy personnel in Guinea Bissau have expressed interest in a possible entry of Peace Corps into Guinea Bissau. Prior to entry, a Peace Corps staffed entry assessment team would have to be sent to Guinea Bissau. This team would interview American officials, Senior officials of Guinea Bissau government, and other relevant personnel to assess the appropriateness and feasibility of a Peace Corps presence. Final decisions are contingent on Peace Corps' funding level and resource allocation priorities and a positive assessment report.

PAKISTAN: An exploratory visit to Pakistan took place in December, 1986. This visit laid the groundwork for a planned second visit by Peace Corps officials in the late summer, 1987. These discussions with Pakistani officials as well as U.S. mission officials will determine the potential for Volunteer assignments as teachers of English. Depending on the discussions, the first group of Peace Corps Volunteers could arrive in Pakistan as early as June 1988.

COMORO ISLANDS: A preliminary visit by Peace Corps to the Comoro Islands took place in the summer of 1986. These discussions determined that there is a need and interest in Volunteer English teachers in the Comoros. A second visit is tentatively scheduled for June 1987. Any placement of Volunteers would probably not occur until 1988.

QUESTION 4

SENATOR KASTEN: How would you describe your ability to get qualified Peace Corps Volunteers today as opposed to when you first started your job?

LORET MILLER RUPPE: As we know, the spirit of volunteerism is imbedded in our heritage. Americans want to help. In the last few years we have seen a stronger interest in volunteerism across the country, and the Peace Corps, as one of our nation's big volunteer efforts. Last year we had over 200,000 inquiries. You may remember that two years ago when we appealed to the public for experienced farmers, nearly 20,000 people called or wrote to us in just over a two or three week period.

Our host countries are asking for people with more technical skills, higher degrees, and more experience. Even though the number of recruiters we have is smaller than in the past and our advertising budget has shrunk, we have refined our recruiting efforts to target people who have the skills we need. We are also investigating the possibility of offering a shorter tour to accomodate those who have scarce skills, yet who cannot commit themselves for the usual two year tour. We are collaborating with other federal agencies, such as the Department of Agriculture, and universities to encourage their professionals to take leaves of absences or sabbaticals to serve as Peace Corps Volunteers.

People want to serve in the Peace Corps. Last year we sent overseas only 2600 people. That was only one out of every five people who applied. We had hundreds of requests for Volunteers from our host countries that went unfilled because we simply could not afford to support them all overseas for two years.

QUESTION 5

SENATOR KASTEN: In terms of Volunteer years, the Peace Corps high point appears to be in 1965, when you record nearly 13,000 Volunteer years. I know that you are hoping to increase the number of Volunteers in the field -- what is your goal? If that goal were reached in fiscal year 1988, what appropriation would you require?

LORET MILLER RUPPE: Our ultimate goal, in line with that recommended by the Congress, would be 10,000 Volunteers worldwide. Given the escalating needs of the developing world, we feel this is a conservative goal. However, such increases - which would more than double our current Volunteer level - cannot be achieved in the 1988 timeframe. Given the need for orderly planning, we feel that a maximum realistic goal would be an increase between 300 and 500 Volunteers per year. The initial increment could be accomplished in 1988 with a funding level of roughly $147 million.

QUESTION 6

SENATOR KASTEN: Have you had any Medivac Volunteers because of AIDS? Have you instituted any screening of Volunteers for this disease before sending them overseas?

LORET MILLER RUPPE: We have medivaced a few Volunteers for seropositivity to the HIV infection.

Effective March 1, of this year, we implemented a policy under which applicants for Volunteer service must provide (using medical auspices of their choice) proof of seronegativity prior to medical clearance for service overseas. In addition, we are providing a follow-up test as part of the completion of service medical examination process. While Volunteers are serving overseas, Peace Corps will provide testing for HIV infection: Peace Corps will pay for those tests which the Medical Officer determines testing is medically indicated. Testing will also be provided through Peace Corps facilities on a strictly confidential basis on demand for Volunteers wishing to obtain the test.

A brief summary of our policy and the reason for that policy are attached.

ACQUIRED IMMUNE DEFICIENCY SYNDROME
HUMAN IMMUNODEFICIENCY VIRUS IMPLICATIONS/PREVENTION/TESTING

There is general consensus among scientific and public health authorities that AIDS represents the most significant public health threat to populations throughout the world in recent decades. AIDS, or Acquired Immune Deficiency Syndrome, which is caused by a virus now named the Human Immunodeficiency Virus (HIV), is the most severe clinical syndrome associated with HIV infection. Evidence of infection can be demonstrated either by clinical presentation of AIDS or other, less severe diseases known as AIDS-Related Complex (ARC). In the absence of clinical disease, the most sensitive method for confirming infection is finding antibodies to HIV in the blood of either an ill or otherwise healthy infected individual. The test developed for screening blood for HIV antibodies is called an ELISA (Enzyme-Linked Immunosorbent Assay) test. However, this test yields some false positives. Therefore, all positive test results are confirmed by use of a more specific test. Any one who is positive is considered to be potentially infectious.

Peace Corps has decided to incorporate HIV testing into the Volunteer health care program. The rationale for this decision, current preventive activities, and new testing policy are discussed subsequently.

1. TESTING RATIONALE

Concerns regarding the AIDS epidemic which may have significant impact on Peace Corps include the increased health risk to Volunteers; transmission of the disease between Volunteers, or between Volunteers and HCNs; and the cost of medical care and compensation for periods of disability. Each of these major concerns can be subdivided into specific problem areas.

(1) The AIDS Epidemic Could Adversely Affect The Health Of Volunteers.

A Volunteer could acquire HIV during service, or could enter Peace Corps already infected. Regardless of where or when acquired, it is quite possible that, during two years of service, severe clinical disease could become apparent. This would create several problems:

- Diagnostic Difficulties - It is unlikely that the milder clinical manifestations of ARC can be differentiated from normal disease patterns in Volunteers.
- Inadequate Laboratories - Volunteers live in countries where clinical referral and laboratory facilities do not meet U.S. standards.
- Vaccine Safety - Perhaps the most immediate health issue involves the efficacy and safety of administering vaccines to individual infected with HIV.
    - It is generally recommended that a person who does not have a normal immune system not receive modified live vaccines.
    - It also has been shown that persons with AIDS fail to respond to some vaccines.
    - Multiple concurrent immunizations may modify, perhaps adversely, the course or severity of the infection.

There also are two other theoretical factors involving living in a developing country which might increase further the risk of Volunteers infected with HIV.

- The immune system may be impaired in persons infected with HIV leading to the acquisition of serious infections.
- The cells infected with HIV may not be killed until stimulated by another antigen such as an infectious virus or a parasite, i.e., infections may possibly increase the risk, or accelerate the development, of HIV-related conditions.

(2) Volunteers Infected With HIV May Unknowingly Transmit The Virus To Host-Country Nationals Or Other Volunteers.

The most important considerations here involve transmission by blood transfusion, contaminated needles and syringes, and sexual contact.

- ° Receipt of blood which has not been tested for HIV could pose a significant threat, if donors are not serologically screened.
- ° Volunteers may be at greatest risk for acquiring infection from another Volunteer.
- ° Potential transmission of the virus from a Volunteer to a HCN could adversely affect the health of the host-country population and its view of the Peace Corps.
- ° Confirmed transmission to host country nationals could have serious programmatic or political repercussions.

(3) While Our Primary Concern Is The Health Of Volunteers And Host Country Nationals, The Health Care Cost To Peace Corps Resulting From Volunteers With HIV Infection Or AIDS Could Be Significant.

Under the Federal Employees Compensation Act (FECA), Peace Corps covers the cost of illness incurred during, or aggravated by, service. These costs are paid as long as the former Volunteer requires services. Peace Corps also must pay workers' compensation for any period of disability resulting from a service-related condition. Thus, Peace Corps' potential financial liability could be substantial because AIDS victims often reqiure prolonged and repeated hospitalizations.

2. CURRENT PREVENTIVE MEASURES

Peace Corps is keeping abreast of current findings regarding HIV and is taking the following actions directed at preventing AIDS in Volunteers.

- ° Information - Volunteers are given specific information regarding modes of transmission and risks of acquiring HIV infection during service.

  Additional country-specific information is provided during training, and condoms, which may reduce the risk of sexual transmission, are available to all Volunteers.

- ° PCMO Training - PCMOs have been provided training and information concerning AIDS and will receive additional training this year.
- ° Transfusion Policy - Peace Corps has instituted a transfusion policy which states explicitly that, except in a life-or-death emergency, Volunteers are not to receive blood from local blood banks or Host Country Nationals.
- ° Sterile Needles - Peace Corps strictly prohibits all Volunteers from receiving any medication or vaccine given by non-disposable needles and syringes. Disposable needles and syringes for Volunteers are distributed by the PCMO in cases where medications must be given by alternate health care providers.
- ° Zaire AIDS Study - An AIDS Study Protocol has been implemented in Zaire in cooperation with the Centers for Disease Control and the National Institutes of Health. In this study, Peace Corps Volunteers may choose to have their blood tested, and if positive, enroll in a case-control study to determine what factors contributed to the acquired infection. The results will indicate behavioral or environmental factors which may increase the risk of infection. In turn, this will lead to educational and/or programmatic changes designed to reduce the risk.

3. NEW TESTING POLICIES

Clearly, additional preventive measures are necessary to protect the health of Volunteers and Peace Corps' interest. Based on the effect of HIV infection on the health of Volunteers, the health and political aspects of transmission to Host Country Nationals, and the potential liability to Peace Corps, it has been decided to determine the serologic status of Peace Corps Volunteers. In addition, testing may be required where appropriate under host country requirements and policies, or to otherwise achieve programmatic objectives.

(1) Applicants Will Be Tested And Determined To Be Seronegative For HIV Antibody Prior To Acceptance Into Peace Corps.

Peace Corps applicants must present documented evidence of seronegativity to HIV before medical clearance will be given. Therefore, all applicants will be tested initially using the ELISA test. To eliminate the risk of "false-positives", applicants found to be positive by ELISA will have a Western blot test done for confirmation. Only when the Western blot test has confirmed the positive ELISA, will medical clearance be denied.

Applicants may meet the testing requirements as a part of the pre-service medical examination process or separately through their own arrangements. Applicants who are tested independently may do so at any time during the application process up to the normal time of completion of their medical clearance. The applicant will pay for the independent test, but this cost will be reimbursed, if the applicant is later nominated.

Because the potential applicant may not wish an agency of the U.S. government to have access to the results of HIV testing, applicants will be advised that all states provide free and confidential HIV testing. Addresses of laboratories which provide this service can be provided by the individual's State Health Department. Applicants can choose to be screened at these alternative testing sites, and, if positive, can withdraw their Peace Corps application without indication as to the reason. Since many Peace Corps applicants withdraw their applications for unrelated reasons, the withdrawal would not carry any implication as to serologic status.

When the applicant elects to be tested as part of the pre-service medical package, results will be given initially by the testing medical person directly to the applicant and only to the applicant. The applicant may withdraw or not submit the test without stating a reason, and may pay the testing medical person for the tests, keeping the results and not providing them to Peace Corps. Peace Corps will pay, or reimburse the applicant, for these tests.

(2) During Service, Volunteers Serving Overseas Will Be Carefully Evaluated Before Being Tested For HIV.

Serologic testing will be obtained for any Volunteer who has clinical signs or symptoms suggestive of AIDS or ARC, or provides specific information leading to the conclusion that he/she has been exposed to the infection. It should be remembered, however, that seroconversion may take up to 4-6 months. It would be unreasonable, therefore, to provide serologic testing for potential exposure more often than at 6-month intervals without medical justification.

A Volunteer whose seropositivity is confirmed by Western blot will be medically evacuated for further testing and counseling. Because of the health care issues raised above, potential infectivity of seropositive individuals, and lack of stateside assignments, a positive Volunteer will then be medically separated, or given the opportunity to resign or to request an early COS under current rules. Refusal to comply with PCMO-directed testing requirements would result in administrative termination for failure to comply with medical guidelines.

Testing also would be made available on request, at the personal expense of the Volunteer. Test results underwritten by Peace Corps would become part of the Volunteer's medical file. Test results obtained at the Volunteer's personal expense, even though through the auspices of the PCMO, would be handled as confidential to the Volunteer and would not be included in the Peace Corps medical files. This approach ensures that Volunteers have access to sanitary and reliable testing, but Peace Corps would not incur costs which are not considered necessary by PCMOs.

(3) Volunteers Currently Serving Overseas Will Have Testing Available.

The fact that current Volunteers were not aware of these testing requirements prior to entering service raised the issue of how to handle those Volunteers without clinical symptoms who are already serving overseas at the time mandatory testing is implemented. Their access to medical support while protecting their privacy must be assured. Therefore, for this limited group, testing will be made available, at Peace Corps expense, on a strictly voluntary and confidential basis. This would be a one-time, one-test offer, to permit any Volunteers who would prefer to keep these test results out of their medical files to do so. These Volunteers also could request tests at their own expense.

Mandatory testing, as described above, would still apply to those cases where the PCMC deemed it medically advisable, as would the requirement for post-service testing. Similarly, failure to follow medical instructions would result in administrative separation.

(4) Additional Serologic Testing For HIV Will Be Conducted At COS.

Testing as part of the normal COS medical examination will be a requirement for all Volunteers. Most testing probably will be conducted after return to the United States, with reimbursement by the Peace Corps, as is the common practice for other portions of the medical examination.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

QUESTION 1

SENATOR D'AMATO: You mention in your statement that because of shrinking resources, the Peace Corps is working closely with other government and private voluntary organizations. Could you give me some examples of Peace Corps coordinated activities with the African Development Foundation?

LORET MILLER RUPPE: The Peace Corps/African Development Foundation relationship is a practical one, focusing on African projects where the two organizations can combine their different types of resources for the greatest impact in a single location. In the arid West African country of Mali, for example, Peace Corps Volunteers assigned to a local farmers organization train the local people to work with irrigation resources -- dikes, wells, water pumps, etc. -- built or purchased through AFD grants. In other countries, Peace Corps Volunteers work with local organizations to help them apply for ADF funds. Many of the AFD staff are former Peace Corps Volunteers, staff, or trainers, and cooperation is generally close not only in Washington but everywhere the two organizations work.

QUESTION 2

SENATOR D'AMATO: Could you describe for the Committee the purpose of the Peace Corps Small Project Fund, and how much is funded for it?

LORET MILLER RUPPE: The Small Project Assistance Program (SPA) is a unique program which links the human resource capabilities of the Peace Corps and the financial resources of USAID to help communities help themselves. The program, established through a Participating Agencies Service Agreement (PASA) in 1983, supports small self-help efforts through direct grants to community organizations. During the past four years USAID has made more than $6 million dollars available for use in the SPA program. The criteria for project approval are as follows:

-The project must be conceived and implemented in conjunction with a local community organization or group. A significant financial or in-kind contribution is expected from the community to demonstrate their involvement and commitment.

-The specific project will not encourage nor require U.S. assistance for continued support.

-The project supports development in the areas of food production, energy, competitive enterprise development, health, and/or income generation.

-The project will be completed within one year.

-The contribution of SPA funds toward completion of the project will not exceed $10,000.

SPA grants are made to community groups working Peace Corps Volunteers. Therefore, both the Volunteer and the community group are responsible for submitting the proposal, setting up and implementing the project, and reporting on project results.

QUESTION 3

SENATOR D'AMATO: In your statement, you expressed concern over the inability to expand because of limited resources. Has the Peace Corps ever considered to seek private sector funding?

LORET MILLER RUPPE: Peace Corps welcomes private sector funding to enhance its Volunteers' efforts by providing project materials that Peace Corps does not have the authority to supply from appropriated funds. One good example is the Peace Corps Partnership program. Partnership encourages American schools and community organizations to participate in development by supporting the construction of things like wells, classrooms, chicken coops, community facilities, etc. In these kinds of arrangements, Peace Corps Volunteers supply the technical knowledge necessary to allow villagers to effectively profit from the donor's participation. The donor organization learns about some of the difficulties of development and the kind of work Peace Corps is doing in a part of the world few Americans understand. The Peace Corps Partnership program has grown significantly in the past few years with its ability to accept private sector donations.

We do feel that it is important for host country governments and people to understand that Peace Corps is a program sponsored by the American Government. There are many private organizations with which the developing world has contact, but we feel that the good will that the American Government receives because of the Peace Corps willingness to live at the common level and work in local languages is nearly immeasurable.

A report of the activities of the Peace Corps Office of Private Sector Relations is attached.

PEACE CORPS

PEACE CORPS - Activities on Development Education

Office of Private Sector Relations/Development Education

I. Background and Goals

The Office of Private Sector Relations/Development Education (OPSR/DE) was created by the Director of the Peace Corps in 1981 in direct response to the Administration's strong emphasis on private sector initiatives. By encouraging the private sector to participate in Peace Corps activities, awareness of the agency's mission and its effective work around the globe is stimulated and a demand for further education created.

This office was initially called the Office of Private Sector Development, and became home for the Peace Corps Partnership Program, an appealing program created in 1964 offering an opportunity for personal involvement with Peace Corps Volunteers and communities overseas to American donors. A Gift-In-Kind Program was also instituted in 1982 to respond to, encourage and facilitate offers of material goods and services from the private sector.

Demonstrable growth was achieved in both of these programs by this newly focused concentration. Strategies to maximize their exposure during the 25th Anniversary were developed, and participation greatly increased as a result.

The educational events programmed for the 25th Anniversary took place for the most part on the campuses of colleges and universities. The Peace Corps Director saw this as an opportunity to revitalize the relationships which had existed during the early days of the Peace Corps between the Agency and American institutions of higher education. A new program was instituted for Education Liaison, and at the same time, reconnection with and service to the 120,000 former volunteers were strengthened as a high agency priority. Concurrently, the Private Sector Office became the Office of Private Sector Relations/Development Education, changing its name to reflect its expanded scope and responsibilities. Two additional programs which have since been added, to follow up on and take advantage of non-agency resources in strengthening both overseas programming and development education capabilities, are Community Development and Private Voluntary Agency Co-ordination.

II. OPSR/DE Program and Projects

PEACE CORPS PARTNERSHIP PROGRAM

The Peace Corps Partnership Program offers a unique combination of financial assistance and cross-cultural exchange. Since its inception in 1964, this program has provided thousands of Americans with the opportunity to participate in vital projects undertaken by

Volunteers and their host country communities, and to become personally involved with these overseas communities and knowledgeable of the issues which confront them.

It became obvious that the Peace Corps Partnership Program was the best development education tool that the agency had, and efforts were made to expand it which have been greatly successful. Outreach was made to corporations, foundations, school, church and civic groups, and individuals; two promotional films were created for which such a demand arose that an on-loan program has been developed to maximize their availability; a Teachers Guide to using the PCPP as a social studies/development education tool has also been developed and proven extremely popular.

In FY 1981, PCPP contributions totaled $42,372.00. FY 1986 contributions totaled $246,486.75, funding 91 projects overseas.

GIFTS-IN-KIND

The OPSR/DE encourages the donation of certain in-kind contributions -- materials, supplies, equipment and services. Examples of the types of gifts-in-kind considered are transportation (land, sea and air) within the U.S. and abroad; medicines and medical supplies; educational materials; agriculture supplies; and equipment. Since its inception in 1982, the Gifts-In-Kind Program has facilitated the donations of materials and services valued at over $500,000. Donors are provided with informational materials about the projects and recipients of their gifts.

EDUCATIONAL LIAISON ACTIVITIES

American institutions of higher education are a vital resource to Peace Corps as well as to the nation as a whole. Not only do these colleges and universities supply the majority of Peace Corps recruits, they supply specialists and expertise for many overseas programs and provide potential for innovative and and productive cooperative ventures.

During the 1986-1987 academic year, Peace Corps launched an under graduate internnship program which allowed eight Dartmouth College students to spend one term in Peace Corps offices overseas. The preliminary evaluation is very positive and suggests expansion of the program in 1987-1988.

Peace Corps and Stanford University are jointly hosting a meeting in March of fifteen presidents of representative colleges and universities to advise Peace Corps on joint undertakings for mutual benefit. Ministers of Education of three Peace Corps countries will also attend under the sponsorship of USIA.

We are developing a program for returned Peace Corps Volunteers at the University of Southern California that will combine study toward a masters degree in teaching English as a second language with full-time employment in the Los Angles public schools. This program will be an analog to the one in math and science at Columbia Teachers in New york City. Twenty RPCVs would be enrolled in the first year.

Peace Corps is now preparing to accept, on a pilot basis, volunteers for tours of duty less than two years. Possible applications include assignments for teachers on one-year leaves of absence or sabbaticals, and special groups; e.g. fifth year dental students at Harvard University who would spend six months overseas on a rotational basis. Returned Peace Corps Volunteers constitute another target group for short-term assignments.

We are developing several joint master's degree programs that combine on-campus course work with Peace Corps Service as requirements for the degree. The program with Rutgers/Camden in Public Policy has been announced, and others, including agriculture at Michigan state and Cornell and special education at the University of Massachusetts, are in planning stages.

This office is eager to promote creative undertakings with junior and community colleges. The two year institutions often command more of the skills Peace corps is seeking than do universities.

We are working on several programs that will enhance the appeal of Peace Corps to minority group members. We seek greater cooperation with America's historically black colleges ands universities.

This office has become the focus of discussion of a "reverse Peace Corps." We are also involved in the Peace Corps response to to the growing public interest in "national service" and, specifically, the Hesburgh Program of scholarships for undergraduates that would prepare students for Peace Corps service in the way ROTC scholarships prepare students for military service.

RETURNED VOLUNTEER SERVICES

Volunteers about to finish service and those who have recently returned frequently need assistance in career choices and development. Service to the Returned Volunteer include employment and educational counseling, and relationships are keep current with corporations, foundations and educational institutions and other private organizations whose human resources are ideally met by the employee who has had an international experience and whose commitment to service has been demonstrated.In addition to the personal assistance to the volunteer which is the primary focus of these services, American institutions benefit by understanding the valuable resources the Returned Volunteers represent.

The employment of the Returned Volunteer in the workplace as well as his/her presence in the civic community is a unique resource to the locale in terms of one-on-one exposure to the Peace Corps experience. RPCVs have individually contributed to the furtherance of the Third Goal in this way.

DEVELOPMENT EDUCATION **(Community Development)**

OPSR/DE is developing programs through which the Peace Corps can promote a better understanding of other people on the part of Americans. This mandate is better known as Peace Corps' third goal. OPSR/DE's development education programs take a variety of forms, including active involvement by Peace Corps in disseminating information and other activities which contribute to educating the public about the developing world.

Peace Corps, in partnership with over fifty Returned Peace Corps Volunteer (RPCV) groups across the U.S., coordinated a special development education program during 1986 National Volunteer Week. Over 1000 Returned Peace Corps Volunteers (RPCVs) participated in this initiative entitled "The Back to School Speakers Program" and spoke to more than 20,000 elementary and secondary school students and teachers. RPCVs, utilizing personal slides, artifacts and other audio-visual materials describing their Peace Corps experience, discussed the role of Peace Corps in development, the importance of understanding foreign cultures and global interdependence.

OPSR/DE plans to expand the outreach to Americans during 1987 National Volunteer Week. U.S. community organizations to be tapped include the nationwide network of local YMCA clubs and the more than 10,000 U.S. Department of Agriculture extension agents representing 4-H clubs, home economics clubs, food and nutrition programs, and conservation and natural resources programs around the U.S. Information will be provided to participating RPCVs on how to mobilize Americans to assist development efforts abroad through the Peace Corps Partnership Program and other development programs.

Peace Corps' 16 area office Public Affairs Specialists (PAS) have been trained to respond to the development education needs of local U.S. communities. Specific development education activities conducted by our PASs include development issues fora, special events campaigns (i.e. Black History Month, World Food Day), and media interviews on development issues and Peace Corps activities in host countries.

To continue the successful series of 36 symposia held around the U.S. during Peace Corps'25th Anniversary year, OPSR/DE is continuing to organize on a regional basis up to ten symposia during 1987 examining America's partnership with the developing world. These symposia will continue to involve cooperation between Peace Corps, universities and secondary schools, World Affairs Councils, city offices of international affairs, and other international community groups.

OPSR/DE is coordinating the writing and dissemination of brochures on how Americans interested in international development can utilize RPCVs as catalysts for discussion and action on important development issues facing the U.S. Brochures completed to date include how to use RPCVs in the classroom and how RPCVs can serve as a valuable resource to America's important international and domestic agricultural partnerships.

Plans are underway to expand the very successful Development Forum column that reached 22,000 high school and college_newspapers during FY1986. Anew international development topic of concern to Americans is being explored by the agency for the 1987 renewal of this important column. Community newspapers around the U.S. are also being targeted for the expanded outreach of the column.

OPSR/DE is currently developing resources and opportunities for development education participation in the U.S. that will be made available to current Volunteers. A new section in the Volunteers Close of Service manual outlines development education activities in which Volunteers soon to return to the U.S. can participate. In addition, a film suggesting ways in which RPCVs can "'bring the world back home" will be produced this spring and distributed to all Close of Service conferences.

PRIVATE VOLUNTARY ORGANIZATIONS LIAISON

The growing community of private voluntary organizations involved in international development offers an opportunity to create collaborative programs abroad, which prove cost-effective and efficient as well as rewarding to the participating volunteers. These relationships are also fostered and coordinated through the Private Sector Relations Office.

A new program in this office, the following are program goals for 1987:

- Dissemination of Peace Corps Initiatives and Guidelines to PVOs.

One approach will be to publish a short guidebook for planning such arrangements -- the PeaceCorps programming process, programmatic emphases, and appropriate points of entry.

- Compilation of PVO Information to Assist Peace Corps Programmers.

Develop a central computerized system of information on PVO programs overseas and Peace Corps' collaborative arrangements with PVOs worldwide. Systematic use of the database by Peace Corps, country, regional and technical programming staff will help Peace Corps to develop new programs and profit from past experiences. Similarly, current information about PVO strengths and interests and suggestions for collaborative programming will be compiled and periodically disseminated to programming staff.

- Exploration of New Collaborative Opportunities

One option currently being explored as a new collaborative arrangement is bringing Peace Corps programs to new countries by assigning a small number of volunteers directly to PVOs in countries without permanent Peace Corps staffs. Another initiative is to explore arrangements to assist superior volunteers and staff to move directly into development assistance careers with PVOs working overseas.

A final area is encouragement of PVO collaboration in Peace Corps' developing Third Goal public education programs. The domestic programs of the international voluntary organizations are valuable fora for Peace Corps participation.

Several activities are not specially focused on implementation of the Third Goal, viz., some of the expenses projected for the Peace Corps Advisory Council, PVO Collaborations, and individual services to Returned Peace corps Volunteers. Nevertheless, relationships with the private sector in these areas all have numerous threads which serve to tie together a strong outreach to the American citizen. Peace Corps and the Returned Volunteer community seek to educate and enlist as many Americans as possible in the realization of the critical stake which the United States has in the developing world.

III. Staff and Budget

Resources allocated to the Office of Private Sector Relations/Development Education for FY 1987 total $756,800, and thirteen employees presently staff its programs, of whom twelve are Returned Volunteers.

A summary breakdown of projected OPSR/DE expenses is as follows:

	(includes salaries)
Partnership/Other Contributions	165.3
Gifts-In-Kind	69.5
Education Liaison	78.3
Returned Volunteer Services	83.6
Community Development	126.0
Private Voluntary Organizations	64.7
National Advisory Council	105.0
Administration	89.4

* in thousands of dollars.

AFRICAN DEVELOPMENT FOUNDATION

STATEMENT OF LEONARD H. ROBINSON JR., PRESIDENT, AFRICAN DEVELOPMENT FOUNDATION

ACCOMPANIED BY PERCY C. WILSON, VICE PRESIDENT

FOUNDATION ACHIEVEMENTS

Senator INOUYE. Now we will receive testimony from Mr. Leonard Robinson, President of the African Development Foundation. Mr. Robinson, we have received your full text, and it will be made part of the record. You may proceed as you wish, sir.

Mr. ROBINSON. Thank you very much, Mr. Chairman. I would like to seize this opportunity to make a brief statement, since I do not get a chance to see you that often.

Mr. Chairman, on February 11, 1987, ADF completed 3 full years of operations, having opened its development assistance doors to the grass-roots people of Africa on February 11, 1984 when the foundation's first president was in charge.

Needless to say, every new agency must have a beginning. The Foundation's birthing pains were obvious to everyone. But we have come a long way since the early days and are well on the way, I am convinced, to facilitating the economic development requirements and aspirations of disadvantaged Africans who live in villages and urban squalor.

Today, ADF is present in 19 countries, having funded over 100 projects. Nine of our first generation projects funded in fiscal year 1984 will be evaluated by African development professionals within the next 6 weeks.

Through the process of analyzing quarterly progress reports, grantee-initiated and -written project assessments, field monitoring visits and a recently held project evaluation conference for ADF grantees, we possess documentation that demonstrates clearly the impact of ADF funded development projects on a microeconomic level.

We look forward to a proposed OTA assessment of the Foundation's field-based activities, for it should provide a wealth of valuable insight to the Congress on the efficacy of the grass-roots approach to development, the ADF's capacity to deliver such assistance, and the impact disadvantaged people can have on development when afforded a chance to design, implement and manage projects themselves.

The Foundation, after only 3 years, is by no means perfect. We have taken some risks, as mandated by our legislation. While in the process, we have learned while doing.

In my prepared testimony, some of the key problems we have encountered and the lessons extracted are shared with you and your colleagues on the committee. The development business is not easy. It is not automatic in terms of predictable outcomes, especially when dealing at the grassroots level, for literacy is an exception, not the rule.

Nonetheless, we fully intend to share our experiences and lessons learned with Congress and the international development community so that all can benefit from increased knowledge and wisdom in an area where the definitive book has yet to be written.

TECHNICAL ASSISTANCE AND PROJECT MONITORING

There are several things we now know for sure. First, technical assistance is needed across the board, and early on, in simple bookkeeping, basic management and project implementation. Second, project monitoring is essential to ensure that stated objectives are being realized.

In order to facilitate this process, ADF one year ago committed itself to and began implementing a field base monitoring infrastructure using African professionals as Regional Liaison Officers and as Country Resource Providers. This system helps ADF stay abreast of what projects are doing in a nonintrusive and nonthreatening manner and helps to maintain the grantee's sense that they themselves are in charge of projects, not outsiders.

There is more to development than just putting money into pockets of poverty. Tracking taxpayers' money is a responsibility we do not take lightly, hence, the system we have evolved.

Finally, we encourage grantees to self-evaluate periodically their project activities so that necessary mid-course project-related corrections can be made during the project, not after the project has reached its final point—when it is too late to do anything.

Given sufficient resources and continued support from Congress, ADF can make a difference in peoples' lives throughout Africa. Thank you, Mr. Chairman.

Senator INOUYE. Thank you, Mr. Robinson.

[The prepared statement of Mr. Robinson follows:]

AFRICAN DEVELOPMENT FOUNDATION

PREPARED STATEMENT OF LEONARD H. ROBINSON, JR.

PRESIDENT

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before the Subcommittee to testify on behalf of the African Development Foundation's fiscal year 1988 budget request.

ADF represents a unique element in the United States' response to Africa's economic crisis -- one that focuses solely on the greater efficacy of small-scale development projects based on African initiative and active participation at the local urban and rural village levels. It is ADF's guiding philosophy -- firmly grounded in our legislative mandate -- that it is the African people at the local community level who are best able to determine their needs and priorities, and who, if given the resources, have the will to seek solutions to their own problems. Over the long-term, this approach to development will strengthen the infrastructures underpinning the process of nation-building. Moreover, given the likelihood of little significant increase in U.S. economic assistance allocations to Africa in the foreseeable future, the African Development Foundation represents an increasingly cost-effective institutional strategy for channelling development assistance to urban and rural village communities in Africa.

Mr. Chairman, since I last appeared before your Subcommittee, we have implemented a number of institutional strategies, programs and policies which are aimed towards addressing concerns the Subcommittee has raised in the past as well as better target ADF resources to assist grassroots people in Africa to achieve their development goals.

In previous years, the Subcommittee has raised the question of the Foundation's cost-effectiveness and ability to make an economic impact in 19 African countries. I am pleased to report that by the end of fiscal 1987, we will have implemented a strategy that will improve on ADF cost-effectiveness as well as increase the potential of localized economic growth. In order to achieve greater cost-effectiveness in program monitoring, we expect to begin to geographically "cluster" (within countries) the funding of projects, which will serve to spur the impact of successful village level development projects among neighboring villages, as well as generate a cadre of local technical assistance providers. Over the past three years of operation, we have grappled with the question of an appropriate project monitoring strategy -- one that does not overly burden or intimidate grantees; one that encourages self-evaluation as well as ensures the grantee of appropriate and timely ADF assistance. In order to become more responsive to needs articulated by grantees, we expect that by the end of fiscal year 1988 to have identified a Country Resource Person (CRP) -- all African development specialists, in each country in which the Foundation is operating. The Country Resource Person will be identified based on his/her access to the cadre of locally available resources. The CRP will be principally responsible for providing and facilitating appropriate technical assistance inputs and information to grantees.

Mr. Chairman, as we strive to develop cost-effective systems that will enable ADF to reduce overhead expenses and increase allocations to the grant/programmatic side of the budget ledger, I would like to stress that we are guided by the need to fund "quality" projects and to provide timely, culturally sensitive and quality support to ADF's grantees. Therefore, in order to ensure, to the maximum extent feasible, that we are funding quality grassroots development projects which have the strong potential for sustainability and replication in other parts of Africa, we have implemented a project selection/grant-making and monitoring process which includes additional staff time, travel, internal analysis and fiscal accountability standards which adds to the Foundation's overhead expenses. While this is a responsible approach, it is not without additional costs to the Foundation's program-related budget. For these reasons, I am pleased to report that we have put in place regional support systems in all regions where ADF currently operates which are staffed by seasoned indigenous persons -- East Africa, Southern Africa, Sahel/North Africa, West Africa, and West Central Africa. It is my belief that ADF's professional African presence provides a culturally attuned and cost-effective avenue through which grantees and applicants can communicate with the Foundation.

In 1987, we expect to fund 75 new grants and grant amendments, with an average size of $54,000. By the end of 1987, the Foundation will be monitoring nearly 178 active grants in 19 African countries. Special emphasis in 1987 will be placed on funding small projects of less than $10,000. We anticipate funding at least 30 such projects in 1987, with an emphasis on appropriate technology, water resource management, micro-enterprise credit, agricultural production and marketing, and urban vocational youth training projects -- priority areas Africans themselves are requesting assistance in.

ADF held its first self-evaluation conference for project grantees in East, North and Southern Africa in Kenya, in January of 1987. The conference goals were not only to encourage and strengthen self-evaluation, but also to afford ADF grantees the opportunity to share with one another their development experiences, ideas, lessons learned and problems encountered, thus creating an environment for institutionalizing project replication opportunities throughout Africa. The Conference was entirely administered by the grantees themselves and was an extraordinary and constructive experience. There were wide disparities among participants in terms of education, income levels, political position, managerial rank, etc. However, discussion of projects was free from rank-conscious deference or patronizing condescension. What was said was appraised on its merits rather than on the basis of how many letters the person offering the opinion had after his or her name. A similar self-evaluation conference for project grantees in West Africa and the Sahel will take place in the latter part of this fiscal year.

The video taping and transcribing of the Kenya self-evaluation conference into indigenous regional languages, will be the

Foundation's first step toward grassroots information dissemination. It is our belief that this kind of information-sharing will help to generate replication and ensure the sustainability of grassroots development projects. In addition, it will also provide the basis for regional and local information resources of successfully executed development projects.

The Foundation will initiate a special pilot micro-enterprise loan program in Togo during fiscal year 1987, which seeks to identify and establish "financial intermediaries" that will provide small amounts of credit for micro-enterprise activities to disadvantaged entrepreneurs. The financial intermediaries will extend credit, ranging from $50 to $5,000 to small, individually owned enterprises as well as group enterprises. This program builds on ADF's experience with third party or grant-based revolving loan schemes which have already been funded in several countries.

In fiscal year 1988, we plan to expand the number of projects funded as well as to improve on project monitoring activities, the facilitation of technical assistance, and information dissemination to grassroots Africa. Three years of providing support to indigenously-designed and initiated development projects has afforded ADF an opportunity to learn from the experiences of villagers and disadvantaged urban dwellers as they strive to participate in and substantively benefit from local development opportunities. I would like to take this opportunity to share with you Mr. Chairman and Members of the Subcommittee, ADF lessons learned and project constraints from ongoing project monitoring and the first grantee self-evaluation conference, which if not addressed can inhibit successful completion and sustainability of grassroots development initiatives.

The following two areas deserve special attention:

1. **Training and Technical Assistance** -- There is a critical need for training and technical assistance in the areas of accounting, recordkeeping, project management, basic problem-specific education and skill transfer. We have found in ADF-supported projects that in order for such training and technical assistance to be effective and sustainable, it must be provided early on in project implementation, and communicated in a manner in which skills learned are inculcated within the grassroots organization and among village community members. The acquisition and transfer of skills to project workers and project beneficiaries directly relates to the village's or organization's capacity to sustain projects after external donor assistance ceases.

The transfer of basic accounting and problem-solving skills has been a cause of persistent concern in the ability of grantees to sustain project objectives. We have found, in just three years of operation, a tremendous reservoir of human resources at the grassroots level which are not being fully utilized. We are increasingly utilizing such talent across ADF projects by sending project personnel in a technical assistance capacity to other projects (in some cases in other countries) which are similar in design and scope, to lend their expertise. However, while there are a substantial number of people at the grassroots level in Africa possessing skills invaluable in assisting small farmers, market women, cooperatives, youth groups and brigades in their efforts to solve development problems, there is currently no viable avenue for collecting and transferring such information. Because we believe that this is such a critical link in the success of grassroots organizations and communities in achieving sustainable project success, we are in the process of developing a strategy for identifying and strengthening those local non-governmental organizations which have the capacity to communicate problem-specific information, basic accounting and recordkeeping methods in local languages and dialects as well as through visual instructional methods.

Two ADF-funded projects in Kenya, are exemplary of the kinds of grassroots initiatives which specifically focus on the development of lasting communication avenues for providing training and technical assistance in problem-specific areas.

Farming Systems Kenya (FSK) is a local non-governmental and non-profit company which was established to train small farmers in farm management, double entry bookkeeping, extension and credit services. One of the major reasons FSK assisted farmers have experienced significant success in increasing food production and farm income has been FSK's sensitivity to language and literacy barriers which inhibit farmers from maintaining accurate records as well as follow through with production related technical assistance. FSK requires that a literate member of the assisted farm family residing at home read all instructional materials and help keep records if the principle farmer is unable to do so. In addition, FSK teaches farmers serious record keeping (double entry bookkeeping) in Swahili as the main tool for farmers to use in decision-making. FSK believes that if a farmer can keep accurate and consistent records and can see what pays off and what does not, he/she will be more likely to make the right decisions about the best crop to plant, the best varieties and the optimum time for planting and harvesting.

The Green Belt Movement (GBM) in Kenya, promotes afforestation efforts for hundreds of grassroots community groups throughout Kenya. The GBM is using high technology -- audio visual tools such as video tapes and cassette tapes -- in local languages and dialects to train remote rural community groups in the importance of and methods for undertaking afforestation programs in their local areas. The GBM as been so successful in Kenya in promoting afforestation efforts that GBM is in the process of further developing educational training materials in languages appropriate for assisting grassroots community groups in West Africa and the Sahel.

2. **Funding Disbursements and Fiscal Accountability** -- While we have steadily enhanced our grantmaking systems to ensure that key project-related questions are asked of applicants and fully considered in our project selection process, some grantees have experienced difficulty in the timely receipt of ADF funding disbursements. Disbursement delays -- as much as one to two months -- have been caused by central and local banks requiring extensive account verifications from grantees, bank delays in processing currency conversions and transaction notifications, long "floats" of the funds being transferred, and an overburdened regional disbursing office. These delays have caused a variety of project implementation related problems for grantees ranging from higher

costs for project supplies and services, dampened community enthusiasm, and delays in project initiation.

Solving disbursement transaction delays is a high priority for ADF. We are currently exploring several mechanisms to expedite the disbursement of funds to approved grassroots initiatives, yet safeguard the accountability of such transfers. Among the options that hold promise for shortening the disbursement transaction time is the utilization of U.S. banks with corresponding banks on the African continent. Working with grassroots organizations at the village level demands greater flexibility in channelling resources in the most efficient, accountable, and timely manner possible in order to maximize the human potential in project success. In spite of disbursement delays, grantees have demonstrated an exemplary level of fiscal accountability. Project audit reports indicate that grantees are keeping accurate accounting records of funds disbursed to meet approved project expenditures and objectives.

In closing, Mr. Chairman, I would like to stress that the Foundation is steadily committed to reducing our overhead expenses to ensure that a greater percentage of the Foundation's annual appropriation is allocated to grants. I am continually looking for budget savings measures in the area of travel, staff deployment and a greater reliance on our African field staff. I must stress Mr. Chairman and Members of the Subcommittee, you have my sincere commitment that we will continue to monitor our overhead expenses and seek out methods to exercise greater cost-effectiveness in funding grassroots development projects. We are determined to use tax payers dollars prudently and responsibly in funding small-scale development in Africa.

I hope that what the Foundation has learned over the past three years of assisting grassroots organizations achieve their desired success, will assist you and Members of the Subcommittee in your efforts to enhance the effectiveness of U.S. bilateral development assistance programs to Africa, and the international development community as well.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions you may have.

Thank you.

ADF'S BOARD OF DIRECTORS

Senator INOUYE. When we authorized the establishment of your Foundation, we told you that you should follow the model of the Inter-American Foundation. But I can tell you, as one member, we did not intend to have you follow it slavishly. For example, in the Inter-American Foundation, we have got a board of directors that attempts to interfere in the day-to-day operations of the foundation, always intruding. I think the day-to-day operations should be a responsibility of the president and the staff.

What sort of arrangements have you developed with your board so that you get all of the flexibility you need?

Mr. ROBINSON. Mr. Chairman, I have a very excellent relationship with the Board. Of course, early on, when I was in an active capacity, back in June of 1984, when the Foundation was in a state of instability, as you noted in your opening remarks, the Board was quite naturally very concerned about what was happening in the Foundation.

I would say during the balance of 1984, there were quite a number of Board meetings. In fact, we had Board meetings just about on a monthly basis or every other month.

In the past 2 years, we have demonstrated, ADF's Vice President and I, that we have full control over the day-to-day affairs of the Foundation, both in terms of the headquarters office and in the field. Our board meetings now average about two board meetings per year.

I am in contact with the Chairman of the Board via telephone on a daily or weekly basis to keep him abreast of what is happening.

We have a Committee arrangement. There are three Committees on the Board that interface with the Foundation. The most important of these committees is the Project Review Committee, chaired by a Board member who resides here in the Washington, D.C. area. She and the two other board members look at every project that we submit to the Board for approval after the project has been approved internally. She works very closely with the Vice President, who is the Chairman of our Project Review Committee.

The second committee that we interface with on the Board is our Budget Committee, which is chaired by a Board member who lives in Dallas, TX. We have a very standard scheduled budgeting process. He comes in once or twice during the year to sign off on our fiscal year budget projection.

The other committee is the Personnel Committee, which is also chaired by our Board member here in the Washington, D.C. area, and I interface with him on a fairly irregular informal basis.

So I would describe the relationship of the board as cordial, helpful, and nonintrusive.

Senator INOUYE. As you know, the Inter-American Foundation receives a large portion of its funding from the Social Progress Trust Fund of the Inter-American Development Bank. You have indicated in your report that you have established an operating relationship with the African Development Bank.

Have you approached the African Development Bank for funding similar to that received by the Inter-American Foundation?

COLLABORATION WITH THE AFDB

Mr. ROBINSON. The short answer, Mr. Chairman, is no, we have not. I will be visiting the African Development Bank in about 8 days in Abidjan. I will be meeting with Mr. Babacar N'Diaye, the President. We signed an agreement with the African Development Bank on May 28, 1986 in New York during the U.N. Special Session on Africa's economic crisis. That was a short period ago.

The meeting that I am going to have with Mr. Babacar N'Diaye will be focused on the objective of seeing if we can now begin to put some teeth into the agreement. We basically have not had time to pursue actively any project-related activity since the agreement was signed in the middle of last year.

One of the possibilities for collaboration might be in the realm of microenterprise development in Africa, specifically the loan program that we are about to launch in Togo, in West Africa, on a pilot basis. In fact, I am leaving Thursday night for Lome, Togo, where my staff and I will conduct a one-day workshop for representatives of local financial institutions who have expressed an interest in receiving assistance from the Foundation to implement this pilot project in Togo to provide capital to disadvantaged entrepreneurs in a number of areas, such as fisheries, agricultural productivity, et cetera.

I then will go to Abidjan after the workshop. Hopefully, Mr. N'Diaye will be very predisposed to the possibility of a joint funding arrangement so that we can implement this program.

Senator INOUYE. We have received a report entitled Fulfilling the Mandate, and this document is described as a broad assessment of

ADF's impact in the field. I was interested to note that three journalists were commissioned to form this evaluation.

My question is: why did you choose journalists instead of people who were professionals in development?

Mr. ROBINSON. We were asked, Mr. Chairman, about a year and a half ago by the Office of Management and Budget to document the Foundation's track record. We debated internally as to the best way to go about doing this. We wanted to be sure that the assessment or the evaluation was as credible, objective, and readable as possible.

Within the academic community, there is still a lot of debate as to the efficacy of the grass-roots approach to development. We did not want the Foundation to get caught up in that debate, so we decided to look at other innovative ways to go about doing this documentation of the Foundation's track record after about 2 years of funding projects in Africa.

My senior staff were given the task of coming up with some recommendations for me. After about 2 weeks of discussion amongst the managers in the Foundation, they brought me a proposal to use three journalists, all of whom were former Peace Corps volunteers, so they did have some experience in the development arena.

When I was told that they were journalists, you could have bowled me over with a feather, quite frankly. I was a little concerned about the use of reporters. But I decided to go with the recommendation because I thought that it would be a credible report, I certainly thought it would be readable, and reporters do have a reputation for telling it like it is. That feature, in particular, attracted me, because we feel very positive about what the Foundation has managed to accomplish in a relatively short period of time.

So we opted to have the reporters go out and do the assessment. We certainly thought that the people in the field would relate well to reporters, especially reporters who had some sense of what development was all about because of their former Peace Corps experience. And we certainly thought that Congress and OMB and other potential readers here in Washington and throughout the United States would immediately seize upon the report as being credible because of the caliber of people who were responsible for putting it together.

So we looked upon it as being an innovative way of doing an assessment.

Senator INOUYE. Did you consider employing the services of professionals in other agencies, like AID?

Mr. ROBINSON. No, sir, we did not.

Senator INOUYE. I was a bit surprised with the use of journalists, because not all journalists have the reputation of being objective, as you say, and telling it like it is. All you have to do is read the op-ed page, and you know that they are very subjective.

Mr. ROBINSON. We realized we were taking a risk in that sense.

Senator INOUYE. So you think your reporters are very objective ones.

Mr. ROBINSON. I do.

The OTA assessment, which we anticipate will be conducted sometime beginning around July of this year, ought to be the final word, so to speak, Mr. Chairman, since that is the technical wing of Congress.

NAIROBI EVALUATION CONFERENCE

Senator INOUYE. I am intrigued by your desire to include the grass roots in this. You have this program for information dissemination, and you will be videotaping and transcribing the Kenya self-evaluation conference.

This is all fine, but are videocassette recorders, VCRs, widely available in African villages? or are you going to have someone carry a portable one around?

Mr. ROBINSON. The videotaping of the proceedings in Nairobi are going to be used to share how we think an evaluation conference ought to be conducted with recipients of foreign aid to the international development community, the African NGO development community.

Senator INOUYE. Then it is not to the tribal villages.

Mr. ROBINSON. Not as the primary focus, no. There are beginning to be areas throughout Africa where television education is being utilized.

Senator INOUYE. You use the words "grass-roots information dissemination." So I pictured these cassettes going to these villages in Africa, and I just did not see how they got VCRs out there.

Mr. ROBINSON. It would be primarily to groups in Africa, the nongovernmental organizations who themselves are involved in development. We think it will be educational for them. Most of these groups are located in the capital cities where this equipment is available.

MICRO-ENTERPRISE CREDIT

Senator INOUYE. I am intrigued by your small loan initiative, and I think it makes good sense. But I notice that you list among those who will benefit the market women, traders, small retailers and service industries.

My question is: do you not believe these loans should be made available primarily to assist development?

Mr. ROBINSON. We do, Mr. Chairman, and I do believe that market women and other traders are very adept at creating jobs.

Senator INOUYE. But they do not develop food.

Mr. ROBINSON. The loan program would not be focused exclusively on just market women. We would provide loans to small farmers to try to assist them in moving from subsistence farming into more commercial farming, increasing their yields, loans to fishermen for fisheries operations, so that they can increase their catch, thereby providing more produce in the marketplace for consumption.

So there will be a focus on increased production in the agricultural sector, in the fisheries sector. But we also think that in the private sector, our loans could be effectively utilized to help increase employment opportunities for disadvantaged people.

Senator INOUYE. To the best of your knowledge, do you believe that the taxpayers of the United States have received their money's worth?

Mr. ROBINSON. Thus far, I do. I think we are very conscientious of how we spend funds. And we have certainly found at the village level among poor people that they are very scrupulous with how ADF assistance is utilized.

We believe, Mr. Chairman, that the Foundation is filling a gap. We believe that we are taking assistance into villages where donors, regardless of country, regardless of label, have not been before. So in many instances, it is the first time that any aid has come in from the outside. It is almost like a gift, if you will, from the gods, from heaven. They have thus far demonstrated the capacity to utilize those funds very skillfully and very honestly.

SUBMITTED QUESTIONS

Senator INOUYE. I thank you very much, Mr. Robinson. We have several other questions we would like to submit. Senator Kasten wanted to be here but had other responsibilities, and he would like to submit a lot of questions also.

Mr. ROBINSON. We would be very happy to respond.

Senator INOUYE. I am certain you are aware that the subcommittee supports your agency and your efforts, and we hope you will enjoy greater success in the future. We will be there to help you to get that success.

Mr. ROBINSON. We appreciate your support.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LEAHY

Senator Leahy: Mr. Robinson, I appreciated your testimony and am impressed by the work the African Development Foundation is doing. We all know the tremendous problems Africa faces today. I am afraid that no matter how much aid we give that continent it will be just a drop in the ocean of what is needed. I have just three questions:

I understand the House Subcommittee on Africa recently approved $8 million for ADF in FY 1988. Will this amount adequately meet your program needs? How will these funds be used?

Mr. Robinson: The Foundation can cost-effectively program an $8 million budget for Fiscal Year 1988. We have had discussions with the House Subcommittee on Africa regarding our common goal to see that a greater share of the total budget of $8 million is obligated on the grant/programmatic side of the budget ledger. Based on these discussions and our mutual desire to fund "quality" grassroots community-based initiatives, we anticipate that with a budget of $8 million approximately $5,600,000 would be allocated to the grants budget. The remainder would be used to cover our overhead and administrative expenditures.

This modest level of budget growth would further enable the Foundation to concentrate our efforts to channel funds to self-help local community development efforts and to bring on-line program goals such as funding skill transfer and training projects which will concentrate on training and basic sector specific problem-solving skills in such areas as agriculture, water, income-generation, bookkeeping and project management. Indigenous training aids such as "How To" manuals and cassette tapes in local languages addressing development questions pertaining to agriculture, home gardening, food processing, water resource management, primary health care, etc., will attempt to better target development needs at the local level.

Senator Leahy: I know ADF is prevented by law from funding projects for more than $250,000. Is this ceiling realistic, given your program goals? Are there instances where you would exceed this ceiling if you could, and if so, what are they? If this ceiling is too low, what would be an appropriate amount?

Mr. Robinson: Given the average size of ADF grants -- approximately $54,000 -- the legislated project ceiling of $250,000 has not created any programmatic difficulty for the Foundation. The ceiling possesses both necessary benefits and some limitations for the Foundation. The funding ceiling assures Congress that the Foundation funds small projects which are intended to benefit poor disadvantaged people at the grassroots level in Africa. In addition, with ADF's modest budget growth, the funding ceiling provides ADF with the diplomatic flexibility to turn down requests which exceed the ceiling and further provides the flexibility for ADF to not get caught in the web of continuously providing funding to the same organizations and groups.

The Foundation, however, is beginning to bring on-line an expanded effort to fund local grassroots financial intermediaries to provide small-scale credit assistance to African micro-entrepreneurs. We are testing out various mechanisms for channeling this assistance to the micro level in Togo this fiscal year. Should this program be successful, we may find that waiving the $250,000 project limitation may be required to assist local cooperative efforts in the establishment of both urban and rural micro-enterprise credit lending institutions. The Foundation may find itself in a position to assist in the institutionalization process of credit assistance to poor entrepreneurs by helping grassroots financial entities to establish a micro-enterprise loan portfolio, and to provide bookkeeping and supply management training as well as personal and business financial management training to its micro-enterprise borrowers. In this instance, it might be beneficial for the Foundation to have the flexibility to waive the funding ceiling through the congressional notification process.

Senator Leahy: I know that under the law you can employ 75 full time employees. What is your Full Time Employees ceiling and how has this affected your operations?

Mr. Robinson: OMB has limited the Foundation's FTE staff ceiling to 27 FTE positions. This figure does not include staff on contract to the Foundation. Based on our current operating budget and our commitment to reduce our overhead expenses, the OMB staff ceiling is adequate to meet our program needs in Africa. However, as the Foundation's annual budget increases and we are enabled to bring on-line programs outlined in our Five Year Plan, we will need to have the staff ceiling lifted to an appropriate level based on our appropriated budget.

QUESTIONS SUBMITTED BY SENATOR KASTEN

Senator Kasten: As you may know, legislation has been introduced for long-term Africa assistance and in it, we included an authorization for the African Development Foundation which is slightly above the Administration's request level -- I believe the authorization we are talking about is $8 million. Should Congress authorize and appropriate that amount? Do you feel you could spend it in an efficient fashion?

Mr. Robinson: The Foundation can cost-effectively program an $8 million budget for Fiscal Year 1988. We have had discussions with the Authorization Subcommittees regarding our common goal to see that a greater share of the total budget of $8 million is obligated on the grant/programmatic side of the budget ledger. This modest level of budget growth would further enable the Foundation to concentrate our efforts to channel funds to self-help local community development efforts and to bring on-line program goals such as funding skill transfer and training projects which will concentrate on training and sector specific problem-solving skills in such areas as agriculture, water, income-generation, bookkeeping and project management.

Senator Kasten: Mr. Robinson, have you been able to develop a relationship with AID, especially in terms of that latter program supporting some of your operations? What about some of the other organizations that work in Africa such as the African Development Bank or the International Fund for Agricultural Development?

Mr. Robinson: At the present time we do not have a joint funding relationship with AID, nor do we expect to develop such a relationship in the near future. However, we do try to coordinate our efforts so that we do not find ourselves tripping over each other in a given country. We view our congressional mandate as complementary to AID's development efforts and we do reach those organizations and groups which AID cannot assist given its size and structure. AID operates at the macro-economic level of development through bilateral, government to government relationships. The Foundation works on the otherhand, as you know Mr. Senator, at the micro or village level of socio-economic development -- those rural and urban communities which have been neglected by traditional donors and who are in the hard to reach non-governmental private sector.

With respect to other development institutions such as the AfDB and IFAD, the Foundation has signed a formal agreement with the AfDB so that we can coordinate our efforts and share information concerning development priorities as they are articulated by Africans from our perspective at the grassroots level and from the Bank's vantage at the national planning level. We have entered into discussions with Bank officials to explore the possibility of establishing a co-financing arrangement whereby ADF and the AfDB could jointly fund projects in the area of micro-enterprise development. As these discussions progress, my staff and I will keep you fully briefed on the status of our deliberations. With respect to IFAD, at this time we do not have an official cooperative agreement with IFAD. However, the Foundation Representatives keep fully abreast of IFAD's development initiatives in Africa.

Questions Submitted by Senator D'Amato

Senator D'Amato: Last year, you reported that you were working toward reducing overhead costs, which you estimated will consume 24 percent of this year's budget. Nevertheless, in your statement, you say that additional staff time and travel will be necessary for project selection/grant making and monitoring processes. Will administrative costs rise above 24 percent for Fiscal Year 1988?

Mr. Robinson: We do not expect "Management and Administrative" expenses to rise above 24 percent in fiscal year 1988. In fact, we have committed ourselves to making further reductions in our overhead expenditures. However, I must stress that in making these reductions, we must maintain our ability to fund "quality" grassroots development projects in Africa. The following chart provides an estimation of our overhead expenditures for this fiscal year as well as a projection for fiscal year 1988 with an appropriation of $6,754,000.

AFRICAN DEVELOPMENT FOUNDATION
ACTIVITY SUMMARY
(Dollar amounts in thousands)

	1986 Actual	1987 Estimate	1988 Projected
Development Projects	3442	3939	4012
Project Review and Monitoring	1080	1271	1298
Management and Administration	1473	1404	1444
Total Obligations	5995	6614	6754
Management & Administration7% (As percentage of total obligations)	24.6%	21.2%	21.4%
Project Review and Monitoring7% (As percentage of total obligations)	18.0%	19.2%	19.2%

Senator D'Amato: Last year, you also reported that ADF was working toward acquiring funding from private sources. Have you had any success over the last year? If not, why not?

Mr. Robinson: To date, the Foundation has not received nor solicited funding from private sources in the United States. We have the legislative authority to receive funds for funding projects in Africa in accordance with our congressional mandate. In order to best fulfill our congressional mandate, we have sought co-financing arrangements with African development and international institutions to fund projects which clearly fit within our legislative mandate. Such a co-financing arrangement was achieved with respect to the "Yele Rural Electrification Project" in Sierra Leone. This project involves the installation of two hydro-electric turbines and two dams to be constructed near the center of Yele Village. The objectives of this project are to: 1) supply electricity to the town of Yele; 2) use the electricity generated to activate an idle water purification and filtration plant; and, 3) stimulate economic activity through the processing of palm oil and citrus products.. Financing for this project was provided by ADF, the Government of Sierra Leone using local currency reflows from the P.L. 480 Food for Peace Program, West German Ambassador's Self-Help Fund, the Inter-Church Coordinating Committee for Development Organization (ICCO) from Holland, and from the Canadian University Service Overseas (CUSO). The following is the actual co-financing breakdown in US dollars:

African Development Foundation	$250,000
West German Self-Help Fund	$ 8,300
Government of Sierra Leone	$ 10,000
ICCO (Holland)	$208,000
CUSO (Canada)	$ 25,000
Total	$501,300

We will continue to seek out co-financing arrangements where necessary to fund "quality" self-help initiatives in Africa.

SUBCOMMITTEE RECESS

Senator INOUYE. This subcommittee will now stand in recess subject to the call of the chair. Our provisional schedule calls for a hearing on security assistance programs on Tuesday, April 28. That day, however, may have to be postponed due to schedule conflicts with other committees.

The subcommittee will now stand in recess.

[Whereupon, at 11:55 a.m., Tuesday, March 31, the subcommittee was recessed to reconvene on Tuesday, April 28.]

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